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THE NEXT STEPS INITIATIVE - THE CASE OF THE PLANNING INSPECTORATE

submitted by Jean Brushfield LLB FRICS FCI Arb

for the degree of PhD of the University of Bath

1995

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SUMMARY OF THESIS

The Next Steps Initiative - the case of the Planning Inspectorate

The Next Steps Initiative has introduced many civil servants to new concepts of efficiency, effectiveness and customer service.

The thesis examines the experience of the Planning Inspectorate in progressing to and beyond Agency status, in the context of the introduction of the Next Steps Initiative, and by comparison with other Agencies which have been created.

Factors relevant to the advent of the Next Steps Initiative are considered, including the history of accountability and the methods of control used over the past 40 years to match the increasing complexity of government functions.

In the Inspectorate, the use of statutory powers on behalf of the Secretaries of State for the Environment and for Wales has been linked for more than 2 decades to the individual decision making responsibility and public accountability of Inspectors in most cases for making the decisions on appeals against the refusal of planning permission in the place of Ministers.

The practices used in carrying out executive functions within the Inspectorate and other Agencies established under the Initiative in various government departments are examined in the context of changes from previous civil service practice, including methods of measuring performance and instituting change. The influence of service-wide innovations such as the Citizens' Charter and market testing introduced alongside the Next Steps Initiative are assessed.

The thesis concludes with an overview of the achievements to date, the problems which remain to be resolved, and the implications for an Agency carrying out the quasi-judicial functions of the Planning Inspectorate.

INDEX

	Page No.
INTRODUCTION	1
CHAPTER 1 - THE NEXT STEPS INITIATIVE	8
Market testing	17
Open government and the Citizens' Charters	19
CHAPTER 2 - PRINCIPAL ASPECTS OF GOVERNMENT	24
The organisation of the civil service	26
Individual responsibility, outside scrutiny and introducing changes	34
Accountability for the civil service	37
Accountability to Parliament	37
Developing concepts of accountability	41
Scrutiny of accountability	45
The ways in which the activities of Departments and Agencies can be measured and controlled	48
The reasons for control	49
Financial control	51
The development of management control	52
Auditing and financial restraint	54
The control of performance	55
Summary	57
CHAPTER 3 - METHODOLOGY	63
1. Reading programme	64
2. Interviews	66
3. Practical experience and discussions	69
CHAPTER 4 - THE PLANNING INSPECTORATE BEFORE AGENCY STATUS	71
History and organisation of the Planning Inspectorate	72
The development of appeal procedures	74
The Franks' Committee	77
The special characteristics of the Planning Inspectorate	79
Changes to the Inspector's role	81
Administrative procedures	87
Reports to the Secretary of State	90
Organisation, recruitment and training	92
Internal studies and reviews	96
Customer surveys	102
Accountability	103
The accruals accounting system	106
Summary	106

CHAPTER 5 - THE PLANNING INSPECTORATE AND THE MOVE TO AGENCY STATUS	111
The reasons for and against agency status	112
Practical arrangements	115
Performance indicators	118
Charging for planning appeals	119
Proposed structure of the organisation	123
The Inspectorate in Wales	125
Agency status	127
The relationship with the Department of the Environment	128
The delegation of responsibilities	130
Information technology	131
Summary	132
CHAPTER 6 - THE PLANNING INSPECTORATE: ACCOUNTABILITY	135
Parliamentary accountability	136
Professional accountability	137
Managerial accountability	139
Accountability to the customer and the Citizens' Charter	142
Summary	146
CHAPTER 7 - THE PLANNING INSPECTORATE: CONTROL	149
Finance	151
The accounting system	153
Relationships with the Department of the Environment	158
Performance indicators	163
Information technology	167
The Prior Options Review	169
Market testing	172
The Control of quality - the Advisory Panel on Standards	176
Summary	182
Comparisons with other Agencies	184
CHAPTER 8 - OTHER AGENCIES	188
The general situation	189
Framework documents	192
Relationships with Departments	196
Accountability	206
Finance	208
Financial control	212
Performance indicators	214
Scrutiny and the Prior Options Reviews	217

CHAPTER 8 (Continued)	
Market testing	219
The Citizens' Charter	221
Summary	222
CHAPTER 9 - OTHER AGENCIES (Continued)	228
Typologies	229
Agencies creating Intellectual Property	233
Innovative procedures	237
Variable workloads	248
Staff	253
Finance	258
Performance indicators	264
Information technology	269
Scrutiny and the Prior Options Reviews	270
Market testing	274
The Citizens' Charter	276
Summary	278
CHAPTER 10 - DISCUSSION	286
The Next Steps Initiative and the Prior Options' Reviews	286
Open government and the Citizens' Charter	288
Market testing	290
Accountability	292
Control	294
The NAO and value for money	297
Relationships with Departments	299
The influence of the character and nature of an Agency's workload	300
Summary	302
CHAPTER 11 - CONCLUSIONS	305
The Next Steps Initiative and the Prior Options' Reviews	306
Open government and the Citizens' Charter	309
Market testing	312
Accountability	315
Control	321
The NAO and value for money	326
Relationships with Departments	329
Professionals and Administrators in the Next Steps Initiative	331
Has the Planning Inspectorate been a good advertisement for the Next Steps Initiative	333
BIBLIOGRAPHY	341

FIGURES

Figure no.		Page no.
3.1	Programme of Interviews	67
4.1	Number of section 36/78 appeals decided	89
4.2	Staffing in the Inspectorate	95
5.1	The Planning Inspectorate Framework Document	117
6.1	Characteristics sought in Inspectors	143
7.1	Targets for the Planning Inspectorate	164
7.2	The Advisory Panel on Standards for the Planning Inspectorate	178
8.1	The Patent Office - Headings in framework document	193
9.1	Agency typologies	232
9.2	Agency characteristics	238
10.1	Progress of the Planning Inspectorate	303
11.1	Summary of questions	306

INTRODUCTION

Sir Humphrey Appleby:

"Yes, I do think that there is a real dilemma here, in that while it has been government policy to regard policy as the responsibility of Ministers and administration as the responsibility of officials, questions of administrative policy can cause confusion between the administration of policy and the policy of administration, especially when the responsibility for the administration of the policy of administration conflicts or overlaps with responsibility for the policy of the administration of policy".

(Lynn and Jay, 1982, page 176).

The civil service has evolved from advising the politicians currently in government on public policy to becoming a complex organisation using similar administrative patterns to cover a wide span of functions in a complex modern world. Over the years, various methods have been tried to adapt existing methods of bureaucratic control to more sophisticated needs and financial regimes, with varying success.

When this study was commenced, the traditional pattern of staffing and recruitment in the central civil service had changed very little in most areas (Chapter 2); the public were not generally seen as

"customers", and change and innovation were, except in rare instances, not regarded as comfortable or essential.

There seems to be an inherent potential conflict in public administration between formal control, through political and practical accountability, and using the most effective methods to deliver efficiency and value for money. Accountability is not a new concept in government, but the context in which it has to be applied is changing over the years, adjusting to significant alterations in the structure and scope of government, and increased public interest in the way political and financial control is exercised.

To many laymen, the public service is a single entity, carrying out governmental functions as prescribed by Parliament. In practice, this simple image was probably only true in the early nineteenth century, when the state had a "caretaker role", which declined as the government became increasingly interventionist in social and economic affairs.

Since the Second World War, the role of the state has primarily increased in the growth of service provision, with fundamental repercussions for the structure and processes of the administrative machine. As these activities have increased, the system has relied more and more on those controlling these service functions, who have been drawn into an advisory and sometimes a promotional role.

Past innovations in the civil service have included the devolution, at least in part, of some executive functions to non-Departmental

public bodies (also sometimes described as quangoes) and other forms of quasi-governmental organisation (Chapter 1), as well as transferring some responsibilities to local government. This is one method by which these more practical governmental functions have been carried out at arms length from the central Departments which are under direct political control. Indeed, the more aspects of modern life are regulated, the greater the increase in the number of such organisations despite the efforts in the past to limit them. Hiving off functions in this way is not new, but the practice in itself raises issues of accountability, responsibility and control, questions about the deficiencies to be remedied, the practices to be adopted, and the changes needed to improve control over the expenditure of public money.

The Next Steps Initiative is therefore only the latest of these means of controlling the ever-increasing range and cost of government functions. The Initiative was proposed in 1988, and sought to introduce a 2 tier structure, with policy development and the organisation of strategic management in the central part of major Departments, and operational tasks and direct responsibilities being given to the new Agencies (Chapter 1).

The Initiative is thus designed to separate the executive and policy roles of central Departments by setting up separate Agencies within Departments, each charged with the responsibility for specific government tasks. It is also intended to promote the use of relevant practices from private industry to improve value for money, whilst

retaining accountability to Parliament and increasing efficiency and effectiveness.

The Initiative seeks to extend accountability and responsibility to named permanent officials at lower levels in the civil service hierarchy for whom the Chief Executive Officers of the Agencies have some responsibility to Parliament (Chapter 8).

For the senior Departmental staff, some of whom have been immersed in the cautious and self-contained world of the public service for over 30 years, involved in negotiating and carrying out these changes, this requires a radical re-direction of their accustomed pattern (Chapter 2), which has supported their promotion to senior posts in the civil service.

In this thesis, the experience of the Planning Inspectorate in progressing to Agency status and beyond is considered (Chapters 4 to 7), and compared with those from other Agencies which have been created (Chapter 9).

The Planning Inspectorate has the responsibility in most cases for making the decisions on appeals against the refusal of planning permission in the place of Ministers; Inspectors also deal with other types of environmental casework. Due to the nature of its work and the origins of some of its staff, the Inspectorate had developed and refined over the past 30 years some of the skills now seen as very desirable in the modern, more fragmented, civil service before the advent of the Initiative (Chapter 4). In several respects, the

practices adopted have foreshadowed those now being endorsed by Ministers for other Agencies.

In the Inspectorate, the operation of statutory powers on behalf of the Secretaries of State for the Environment and for Wales has been linked for many years to the individual decision making responsibility and public accountability of the Inspectors.

Public confidence in the organisation rests very much on Inspectors being professionally qualified so that they can exercise their quasi-judicial powers and duties in an independent, open, fair and impartial manner, free from hidden influences from the parent Department and the civil service as a whole. This approach seems to be increasingly in tune with government policy (Chapter 1) and the mood of the public's view of public service provision generally, where the "consumer" expects to be able to see what he or she is getting, and why.

In the past the Planning Inspectorate, in having a high percentage of senior professional staff, in that most Inspectors worked from home, in having a very variable workload, and in its considerable interaction with the public, has felt that it was regarded as being different, and sometimes undesirably divergent, from the pattern in the central Department of the Environment.

The implementation of radical change across the civil service raises questions about the way its staff operate at present, and whether the

practices and relationships established over many years are working well in central government in the late 20th century.

In theory at least, the duties and activities of the civil servants remaining in the central Departments should have changed as a result of the implementation of the Next Steps concept and other initiatives such as the Citizen's Charter and market testing (Chapters 1 and 9). In this thesis, we shall examine questions which have arisen as the new pattern has been introduced in the civil service. We shall look at whether other service-wide innovations such as market testing and the Citizens' Charter are directly linked with this. We shall ask what the problems are in maintaining central control and accountability, and maintaining relationships between Agencies and parent Departments (Chapters 1 and 8).

The Initiative has introduced many civil servants to new concepts of efficiency, effectiveness and customer service. The thesis addresses whether the new pattern of administration allows the civil service to demonstrate that Parliament's intentions are being carried out, and whether the new Agencies can be effective in delivering what their "customers", the public, want.

Structure of the thesis

The thesis begins with a very brief overview of the hiving-off and separation of government functions which led to the Initiative, and the recent introduction of market testing and more open government and the Citizens' Charter which have also developed in recent years

(Chapter 1). Chapter 2 then sets the scene for the succeeding chapters, with references to literature sources, by setting out aspects of how the civil service has been organised in the past and ways of introducing change, together with issues relating to accountability, measurement and control.

Chapter 3 explains that the methodology used for the thesis developed because the recent timing of many of the innovations under the Initiative led to the reading programme used for Chapter 2 being supplemented by interviews with senior managers from relevant organisations, and my experience within the Planning Inspectorate Agency, in order to provide the information needed for the later chapters.

Chapters 4 to 7 set out how the Inspectorate operated before Agency status, how that status arose, and the effect on accountability and control of the Agency's operations thereafter. Chapter 8 then provides a general view of aspects of the Initiative, before Chapter 9 sets out how other Agencies have changed their practices since their new status. Finally, after comments on the examples given for the Inspectorate and the other Agencies (Chapter 10), the conclusions are set out in the last chapter.

CHAPTER ONE - THE NEXT STEPS INITIATIVE

"Quasi-government" is a description applied to activities in some way supervised by government but distinct from central Departments. Fringe bodies, public corporations, nationalised industries, non-Departmental public bodies and quangos are some of the terms which can be used to describe the various organisations which carry out functions given to them by the political administration.

From the mid 1950s to the early 1980s, the number of staff in the central civil service did not expand dramatically. The extent of government involvement in social services and business increased, but this was achieved by passing many responsibilities on to local government and quasi-governmental bodies (Drewry and Butcher, 1988). The shift in this country, as in others, has not so much been from pure public bureaucracy to pure private enterprise as from pure or classic public bureaucracy towards more hybrid forms of organisation, having some of the features of both public and private systems (Hood, in Lane (ed), 1987). A wide range of one-off governmental bodies have been set up, tailor-made for particular tasks (Drucker, Dunleavy, Gamble, and Peele, 1983). This has foreshadowed the introduction of the Next Steps Initiative.

The Fulton Report in 1968 supported the establishment of Departmental Agencies and hiving off Departmental functions to autonomous non-

Departmental Agencies not subject to direct ministerial control (Greenwood and Wilson, 1989). The Expenditure Committee said in 1977 said that "hiving off" could diminish control by Ministers and adversely affect staff morale. The Government reply at that time was that many areas of civil service activity were unsuitable for separation within the framework of accountability (Davies and Willman, 1991).

The alternatives to creating a new non-Departmental public body are transferring functions to the private or voluntary sector, to another government Department, or using an existing non-Departmental public body. Conferring functions on a non-Departmental public body should follow the recognition that it is the most cost effective means of carrying them out, and that some independence from Ministers is acceptable and appropriate. The functions need to be clearly defined and necessarily done in the public sector. The activities of the Planning Inspectorate are in many ways a clear example of this.

Three types of organisation have been established in the past -

(i) executive bodies - usually set up by an Act of Parliament, to carry out duties where Ministers do not need to directly supervise them; or where a single purpose organisation is most appropriate; or where people from outside government need to be involved; or where the operations need to be separated from party politics (Pliatzky, 1992); or where standard civil service management or personnel are not appropriate.

(ii) advisory bodies, and

(iii) tribunals.

In the decade before 1988, radical changes from this type of civil service organisation would probably have been fiercely resisted by the civil service unions. However, a more flexible attitude had been adopted in the late 1980s, partly due to fuller employment, more movement of personnel into and out of the civil service, and a greater belief in smaller unit sizes.

As mentioned in the Introduction, the Next Steps Initiative is designed to separate the executive and policy roles of central Departments by setting up separate Agencies within Departments, each charged with the responsibility for specific government tasks. It is also intended to promote the use of relevant practices from private industry to improve value for money, whilst retaining accountability to Parliament and increasing efficiency and effectiveness. The rationale behind the Initiative is the recognition that the modern government machine is too big and its activities too diverse to be managed as one unit. The Initiative seeks to extend accountability and responsibility to named permanent officials at lower levels in the civil service hierarchy for whom the Chief Executive Officers of the Agencies have some responsibility to Parliament.

"The objective of the transfer to Agency status is to bring about better management ... better value for money, and a better service to the public"

(from the Third Report of the Home Affairs Committee on the Next Steps Agencies, HMSO 1991).

The Next Steps Initiative was introduced by the Prime Minister in the House of Commons on 18 February 1988, with the acceptance of the Efficiency Unit's report "Improving Management in Government" (Cmnd 1261) and the appointment of a Project Manager, Peter Kemp, in the Office for the Management of the Civil Service (OMCS) at permanent secretary level to head a small team charged with the task of implementing the Initiative.

The Initiative's stated main aims are to improve management in government, and to deliver services more efficiently and effectively within available resources by adopting a more entrepreneurial approach within guidelines set out in "framework documents".

The new Agencies were created as units within existing Departments, and so without the need for legislation. The Project Team introduced the new Agencies incrementally, evolving the format as they went along. There was no overall blueprint to which the activities and pattern should conform, and the team concentrated on keeping the momentum going, and maintaining progress which probably could not have come about so quickly using conventional, committee-style, civil service procedures. Bearing in mind the significant changes involved which amounted to a major reform of the civil service, they were implemented very rapidly (Dunsire, 1995). The first Agency, the Vehicle Inspectorate, was launched in August 1988, and 102 Agencies had been created by the autumn of 1994, employing over 268,000 civil

servants, with another 85,000 civil servants working on Next Steps lines in the Customs and Excise and Inland Revenue (Chapter 8).

The Initiative has been described by the Treasury and Civil Service Committee as being "the most ambitious attempt at civil service reform in the twentieth century" but the Committee saw the role of the Treasury and the (OMCS) as being permissive and reacting to events rather than positive, with their roles not clearly defined. The Committee were concerned by these uncertainties (House of Commons, 1991) and the lack of a positive policy for the civil service as a whole.

The Initiative was intended to evolve a horizontally structured civil service into a vertical and federal organisation (Kemp, 1990). The idea was very loosely based on the Swedish government's model. This has small central Departments, linked to a large number of semi-autonomous Agencies responsible for carrying out policy decisions, albeit in that country in the context of a more open government system than exists in the United Kingdom (McDonald, 1992). However, the Swedish system was established by formal legislation, which has led to the system being less able to adapt to changing circumstances, and becoming "fossilised". New Zealand has also introduced an executive Agency system under formal legislation, which in particular is designed to identify what the real costs of government are (Boston, Martin, Pallot, and Walsh, 1991; The Economist, August 1992; Wistrich, 1992).

None of the changes introduced in this country appear to be specifically authorised by statute, except for some of those relating to market testing and contracting out, which apply right across the civil service (Chapter 8). Some commentators see it as remarkable that such a significant alteration in the pattern of government has taken place with so little formal involvement by Parliament.

Peter Hennessy observed in 1989 in his book on Whitehall (page 620) -

"Despite the real achievements of the Rayner years, it (The Next Steps Report) showed how little in the way of real financial and management responsibility had been devolved down the line; how meddlesome the Treasury and Cabinet Office remained; how dominant was the Whitehall culture of caution; how great was the premium placed on a safe pair of hands; and how rarely were proven management skills perceived as the way to reach the top of the bureaucratic tree."

Hennessy pointed out that the report had proposed a real devolution of power over budgets, manpower, pay, hiring and firing to executive Agencies in areas of activity embracing the 95% of the Civil Service involved in the delivery of services as opposed to advising ministers or policy.

The Next Steps Initiative introduces the concept of a "framework document" for each Agency, which sets out the manner in which each is to operate. A framework document is thus akin to a written constitution for the Agency (the Third Report of the Home Affairs

Committee on the Next Steps Agencies, HMSO 1991). A common feature of these documents is that the Chief Executive Officer is given the responsibility of running the Agency and is made accountable, normally through a sponsor in the parent Department, to the appropriate Minister and to Parliament (Chapter 8).

Members of Parliament have been concerned to see whether this arrangement and indeed Agency status itself will produce

"an improved service to the customer at no extra cost, and whether government accountability to Parliament will be maintained"

(from the Third Report of the Home Affairs Committee on the Next Steps Agencies, HMSO 1991).

For individual Agencies, their launch was intended to be the beginning of a process of continuous development (Goldsworthy, 1991). The Project Team looked at whether tasks in potential Agencies should be done by the civil service at all rather than by private companies, but they did not examine alternative ways of carrying out tasks more cheaply or effectively within the civil service.

Examination of such alternative options by the potential Agencies themselves initially appears to have been cursory. Whilst this may have been the only practical approach if the Initiative was to be introduced quickly, the consequence may be that Agencies apparently

now well established could be upset by major changes being introduced later.

This is because, when the framework document is reviewed after 3 years, a series of tests are now being applied, known as "Prior Options" -

is it necessary, if not, abolish it;

does it need to be in the public sector at all, if not,
privatise it;

can the function, either wholly or in part, be contractorised ?

(Chancellor of the Duchy of Lancaster, 1994)

The Next Steps Initiative's first Project Manager said that all Agencies should have 4 characteristics - a discrete organisation, a defined task, a formal agreement setting out tasks to be done, and an identifiable chief executive accountable for the work of the Agency.

An inter Departmental study in 1991 by the Efficiency Unit said that there were four types of Agencies:

Agencies dealing with mainstream policy (for instance, the
Employment Service)

Agencies exercising statutory functions (for example, the Planning Inspectorate)

Agencies providing specialist services to Departments, such as the government research establishments, and

Agencies outside the main aims of a Department but reporting to a particular Minister, such as the Historic Royal Palaces Agency.

This typology can be expanded by referring to the nature of an Agency's activities, such as regulation, welfare, leisure, production of "goods", providing services to the public, and consultancy service. This approach is developed further in Chapter 9.

More relevant to the finances of the Agencies is another typology, categorising Agencies as "not self funding", and 2 types of "self-funding" - with and without a monopoly; these can also be labelled as charging or not charging for the services provided (Greer, 1992).

Many Agencies carry out mainly administrative functions in the traditional role of the civil service, but there are some Agencies, of which the Planning Inspectorate is one, whose staff have a quasi-judicial role, or who have a regulatory function and deal with other types of intellectual property. Comparisons with these Agencies are therefore likely to be useful in considering the options open to the Inspectorate. Some of them may already have had a more independent

status, and might be able to make more rapid progress to a more effective organisation under the Next Steps Initiative.

The classification of Agencies into types or functions could give an indication of whether they are likely to maintain their present status, or may be considered for movement into the private sector. All these typologies to some extent reflect the emphasis which is placed in the framework documents on the various aspects of an Agency's activities. We shall look at typologies in more detail in Chapter 9.

Market testing

During the establishment of the Agencies in the Next Steps Initiative, practices have been changing in the remainder of the civil service at the same time. Inevitably this makes it difficult to assess the effects of the Initiative on its own. One innovation which has been introduced into the civil service as a whole is the advent of market testing.

The Prime Minister is reported to be planning that, overall, 30% of Departmental business should be sub-contracted out in a 10 year programme, hoping to achieve comparable savings to those achieved by a similar initiative in local government (Economist, 1992). A wide range of activities is proposed for market testing across the civil service, from milk hygiene to nuclear weapons research, job clubs to language centres, and the prison service to the national lottery.

Guidance on market testing issued by the Office of Public Science and Service (OPSS) in August 1993 encouraged managers to question all current civil service functions and allowed in-house bids to volunteer changes in terms and conditions where privatisation was proposed (IPMS, 1993).

About 1000 private sector executives attended 2 government seminars in January and March 1993 to hear how their companies could bid for civil service work. They were told that the total value of the services was £1.6 billion (Holdsworth, 1993); savings of up to 25% were expected.

The process of market testing was explained to Department of the Environment staff in the magazine Environment World in February 1993. First, the feasibility of market testing is assessed for a particular decision. A steering group chaired by the head of division includes a project manager, members of the Department's market testing unit and personnel, plus users of the service. A user survey is conducted whilst the existing service is costed and reviewed to identify where efficiency could be improved. Potential private sector suppliers are identified, and invited to tender with in-house teams on a detailed specification. Bids are evaluated on both quality and cost, and a service agreement (for in-house bidders) or a contract is signed and regularly monitored, on the basis of user needs and other criteria (Environment World, 1993). From this description, it will be clear why the supervision of market testing by central Departments costs money - for example, £1.6 million in the Home Office in 1992/93 (PINS, 1993).

Guidance on market testing issued by the Office of Public Science and Service in August 1993 encouraged managers to question all current civil service functions and allowed in-house bids to volunteer changes in terms and conditions where privatisation was proposed (IPMS, 1993). We shall look at the effects of market testing in Chapters 7 and 9.

Open government and the Citizens' Charters

The office of Parliamentary Commissioner (the Ombudsman) was established by legislation in 1967, to investigate maladministration in government. His jurisdiction was enlarged in 1987 to cover non-Departmental public bodies receiving most of their funds from the Exchequer and, in 1990, the actions of officials in courts and tribunals appointed by the Lord Chancellor. As part of central government, Next Steps Initiative Agencies are also overseen by the Ombudsman. Nearly 10% of complaints to him, which are channelled by Members of Parliament, are shown to have some justification.

A more recent aspect of the increasing emphasis on open government by the current administration is the concept of the Citizens' Charters, intended to give consumers of public services the opportunities for participation and redress. The Charters aim to give people better quality in every public service, more choice, to make sure that everyone is told what kind of service they can reasonably expect to receive, and what to do if something goes wrong. The underlying theme is that every public service should be provided in the most appropriate and cost effective way (Management Today, May 1994).

The White Paper introducing the Citizens' Charter was published in July 1993, with the intention of restricting access to information only where there are good reasons to do so. We shall examine how the civil service Agencies and their Departments have adapted to these new ideas.

The key principles are:

Publication of the standards of service that the customer can reasonably expect, and of performance against those standards.

Taking the views of those who use the service into account.

Clear information in plain language about the range of services provided.

Courteous and efficient customer service, from staff who are normally prepared to identify themselves by name.

Well-signposted ways to complain if the customer is not satisfied, with some means of independent review if possible.

Independent evaluation of performance against standards and a clear commitment to providing value for money.

The Citizens' Charters have been criticised as superficial, cosmetic and expensive. For instance, more than £2 million was spent on

sending the Patients' Charter to every home - a total of 20 million copies. The total cost of the Charters is £14 million to date, according to the Office of Public Service and Science (1994).

However, there can be no doubt that some service levels have improved, and compensation has been introduced for falling short of adequate performance in organisations as diverse as British Rail (late trains) and Gas Boards (appointments not met or late).

However, standards can be manipulated, for instance by reducing 2 year hospital waiting lists at the expense of those waiting longer than a year.

In order to establish whether expectations are appropriate to the function concerned, users should be consulted about what they wanted, as the National Consumer Council said in its annual report in 1992 (Gliniecki, 1992). In this respect, the implications of the Citizens' Charter overlap with methods being used in the Next Steps Initiative, since a number of Agencies have carried out customer surveys, and we shall see what their effect has been in later chapters.

However, the consideration of the effects of the Next Steps Initiative, both generally and in respect of particular Agencies, must begin with the pattern of government within which they have been introduced, since they have all been created within the structure of existing Departments, with the civil servants remaining, at least initially, within their previous organisation.

Clearly, the influence of existing civil service culture and practice will be strong in this situation, and we turn to the previous pattern of government in Chapter 2.

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CHAPTER 2 - PRINCIPAL ASPECTS OF GOVERNMENT

Any innovation in an organisation will be influenced by the past history and practices adopted therein. In this thesis, three principal aspects of government will be examined and how they have developed within the Next Steps Initiative.

The first is the way in which the civil service has been organised, and how that "culture" may change with the advent of the new Agencies. The theoretical aspects of bureaucracy, and the various views of civil service organisation taken by political and other commentators, will be considered in order to set the scene for the changes which may have been introduced as a consequence of the Next Steps Initiative.

New theories of public management advocate efficiency and responsiveness through some form of decentralisation, and attack the traditional bureaucratic model of administrative structure (Gray and Jenkins, 1995). The Next Steps Initiative can be seen as a means of changing the ways civil servants are used in government. So people's responses to change, and the introduction of new methods, will be examined in order to give a context for the development of new practices and procedures in the Agencies.

The second aspect is what accountability the civil service has had, in particular to Parliament, and whether those responsibilities have changed in the new Agencies.

One example is having a named individual responsible for the activities of a particular Department. The Next Steps Initiative takes this approach, and not only by substituting a Chief Executive Officer for the Permanent Secretary of a Department in some respects. A wider accountability is also developing to other groups and customers, and we need therefore to look at how this has been interpreted, and what the implications may be of changes to the accepted patterns.

The third aspect to be examined is the ways in which the activities of Departments and Agencies can be measured and controlled, and how these methods fit in with the Next Steps Initiative. This is a rapidly changing area, where the views of the public as customers are now also being sought. This in turn leads us back to responsibilities and accountability, and how the civil service is operating with the new pattern.

Bearing in mind that the Next Steps Initiative is intended to establish quite a different way of conducting the business of government, some attention will be given to the specialist skills needed by civil servants, as a basis for considering in later chapters how the Next Steps Initiative has affected the role of those staff remaining in the core of the civil service Departments. Since the Next Steps Initiative is also intended to make government more open and accessible, the traditional anonymity of most civil servants will be examined, as well as what issues arise as the Next Steps Initiative brings more specific identification of personal responsibilities and increased scrutiny by outsiders. Finally in

this section, various aspects of introducing change will be examined which underlie the basic purpose of the Next Steps Initiative.

The organisation of the civil service

There are many popular stereotypes of how the civil service operates; some of them are true. It is easy to deride repetitive and formal procedures, and equally easy to justify customs and practices which may have been used for many years. An innovation such as the Next Steps Initiative brings a spotlight to bear on many established patterns in government, and can challenge assumptions which may previously have been accepted with little questioning. We need to look at the merits and demerits of the civil service and see which of them benefit the public interest. Only then can the need for change be evaluated.

"Many civil servants question whether the underlying assumptions which mould the way in which government does its business have changed"

and

"The aim should be to establish a quite different way of conducting the business of government"

(Improving Management in Government - the Next Steps, HMSO 1988).

These comments are related to existing administrative codes in the civil service, which have often been justified in terms of laid down procedures or structures, and the allocation of responsibility for actions, decisions and costs (Gray and Jenkins, 1985), rather than by the standards of service which should be delivered.

The preference for direct control, uniformly pushing accountability upwards and using standardised procedures, have been described as deficiencies when change is sought (Stewart and Walsh, 1992). Civil servants have expressed concern about the loss of consistency in practices and staff mobility within the service if Agencies are encouraged to develop their own systems. Conversely, some outside commentators see the need to discourage risk adverse behaviour (Tomkins and Colville, 1989) in order to innovate and change the culture.

It would be surprising if the new priorities being set for Agencies did not cause problems in the early years. Some aspects of civil servants' conduct have recently been formalised, but many aspects of the organisation rely on judgment and discretion, for which there are, so far, few if any quantified standards. This contrasts with the written framework documents - contracts and agreements - as well as the specific targets, being used in the Next Steps Initiative.

A culture where certainty is seen as a virtue may mean that relatively minor mistakes are seen as major career deficiencies, and fail to recognise innovation and success. Thus management in the civil service has historically been directed towards rewarding

adherence to established patterns rather than innovation and change. The civil service organisation can operate in a privileged and often monopoly position, without competitors to promote efficiency and independent viability, and provide the stimuli needed to improve standards. We shall examine later whether the Next Steps Initiative has altered this, or led to major changes in the organisation of any Agencies.

Adherence to established patterns is unlikely to foster progress, but it may indicate the best way of introducing change in an inherently cautious organisation. A low-key incremental approach may be the best way of overcoming resistance to reform by "going around" many potential opponents rather than facing them head on (Polidano, 1995). Sir Douglas Wass has said that

"the wise innovator is the man who had learned how to seize the chance of a small improvement while working incessantly in the direction of greater ones"

(Wass, 1984).

Perhaps, when dealing with an organisation such as the civil service, dramatic alterations should not be expected in the short term, since "small wins" can mean real and perhaps longer lasting gains. As one commentator has said, with continuous experimentation encouraged, and with the cost of personal failure reduced, the more widely the changes are spread, the more they will become the accepted pattern, until relatively complete diffusion can be achieved (Bryson, 1988).

In order to assess what changes have come about, we need to look at the traditional role of the generalist civil servant. Birch (1990) says that civil servants has 4 roles - to be impartial, to be anonymous, to carry out policies and not to initiate change.

"to take and understand the advice of experts in the different disciplines on any particular problem, to analyze and assess that advice, and to reach a balanced view on the pros and cons of different possible courses of action."

(Sir Basil Engholm, The Guardian, 16 May 1977, quoted in Kellner and Crowther Hunt, The Civil Servants, page 34).

It is at this point that the role of the central core of Departments diverges from that of the Next Steps Initiative Agencies, since the role of the central civil servant is responding to day to day parliamentary and public affairs, and to inform and advise Ministers, implement their decisions and be accountable to them (Stowe, 1992). In the new Agencies, the staff are concerned with strategic thinking being translated into action, getting results from taxpayers' money, and providing specific services to the public.

One of the strengths of the civil service has been the "collegiate approach" in which a wide range of views are consulted, documents pass through many drafts before approval, and long term effects are considered. We will look to see whether this approach has been maintained in the processes leading up to the creation of the new Agencies.

Most senior civil servants have been recruited straight from university and very few have had experience outside the civil service (Sherrif, 1976). This situation may underlie the pressures for uniformity in structures and operations throughout the Civil Service in the past which have prevented adaptations to tasks and environments at Departmental level (Hood and Dunsire, 1981).

The emphasis on policy advice from generalist civil servants may have resulted in Ministers being unaware of all the possible options, since those advising them do not have the breadth of expertise to know whether relevant aspects of a problem have been considered or offered by the interest groups involved. The Next Steps Initiative Agencies are partly intended to address this difficulty, and we need to look at what they have achieved in new initiatives and processes to enhance their quality of service.

An examination of the activities of the Treasury (Heclo and Wildavsky, 1981) revealed that communications within government rely much more on informal coordination between a nucleus of senior civil servants who are well known to each other than on technical expertise or formal links between Departments. This pattern conflicts with the formal relationships between core Departments and the Executive Agencies which have been set up under the Next Steps Initiative. How these relationships have evolved will be examined, as well as whether changes have been introduced within Departments as a result of the Next Steps Initiative.

In the past, many senior civil servants have seen themselves not only as experts in drafting policy and advising Ministers, but also as generalists in other, more executive, functions. The changes taking place in government now may alter this, and encourage civil servants in the core of Departments to stress their specialist advisory role, using their network of relationships to shape the use of strategic resources.

An emphasis on policy skills in the core of central Departments should mean a more hands-off approach by the generalist civil servants as far as the new Agencies are concerned. That will need a radical change in attitudes by staff used to a very different situation. If previous experience and practices are relevant, then perhaps an organisation such as the Planning Inspectorate should be able to manage its affairs more effectively as an Agency than other parts of the civil service which had not had an independent status.

Examples of public servants who are already identified as responsible for the work they do are rare. They include judges, tribunal chairmen and planning inspectors. Thus, where Ministers' functions have been delegated (as to Inspectors holding public planning inquiries) doubt has been expressed whether the Minister is personally accountable to Parliament (Marshall, 1984).

Where new forms of executive process or organisation, such as the Next Steps Initiative, are being introduced to produce more cost efficient methods of operation, some existing rules and procedures can have a very negative effect (Department of Transport, 1991).

These may be reinforced by the tradition of civil service anonymity which has been seen as allowing for continuity and the development of administrative expertise.

To the extent that Agencies are meant to be more businesslike (Chapter 1), it suggests that values will have to change. There may be lessons to be learned from the business and professional world as more civil servants find themselves in a more visible role.

For instance, the Harvard Business School has defined 16 characteristics which comprised a person's professional attitude: self-responsibility, determination, self-esteem, commitment, sociability, openness, empathy, achievement motivation, status awareness, self-organisation, initiative, failure reaction, criticism reaction, emotional stability, self confidence and flexibility (Pugh, 1994). If these are important, perhaps there should be some incentives for government to encourage characteristics such as openness, personal initiative and flexibility throughout the civil service.

Civil servants in the future are likely to find that their careers are more dependent on their own resources, with more risk, and tension between flexibility in the organisation of the civil service and their individual security (Kanter, 1989). Thus, part of the challenge facing the new executive Agencies, and their "sponsors" in the parent Departments, is to retain the merits of bureaucratic organisation (including the established methods of providing

accountability) and the confidence of their staff, whilst avoiding the disadvantages which are characteristic of such bodies.

One of the tenets underpinning the Next Steps Initiative is the assumption that introducing some private sector methods would be beneficial. But staff who have left the civil service even for a short time to gain experience elsewhere have in the past been regarded as having lost ground on the "race to the top", and the value of the work or training which they have added to their civil service background has not been regarded as equivalent to that they left behind. Thus, the idea of exchanges with the private sector or local government, although good in principle, may not be carried through to best effect. This past reluctance to value private sector experience does not augur too well for exchanges of staff between central Departments and the Agencies.

This also tends to confirm what Fulton found in 1968, that generalist civil servants have a narrowly circumscribed view of what makes a likely candidate for senior management, and professionals or anyone with a different background may well not qualify. Yet a survey of Treasury staff by independent consultants in 1994 said that civil servants complained of lack of leadership, poor internal communications, inadequate training and too much bureaucracy (Maguire, 1994). Only 24% of those responding said that they believed what management said or had confidence in their decisions.

Individual responsibility, outside scrutiny and introducing changes

It is a characteristic of many of the changes currently taking place in government that there is increasing outside scrutiny. The "Vehicle and General Affair" in 1972 was a rare past example of civil servants, rather than ministers, being named (by a tribunal of inquiry) as being responsible for negligence in the handling of the collapse of an insurance firm (Chapman, 1973). Now that Select Committees of the House of Commons are examining civil servants in the course of their deliberations, such identification is becoming more likely. So in considering how the introduction of the Agencies has been managed, we need to ask whether the Next Steps Initiative has led to more open government.

As mentioned in Chapter 1, the Initiative is intended to promote improved value for money and more efficiency and effectiveness, whilst retaining accountability to Parliament. In November 1992, the Financial Secretary to the Treasury made it clear that the approach extended beyond Agencies to the whole of the civil service:

Ministers have decided that in every Department of state we must apply the back-to-basics test to every activity of government. The conventional question was "what can we sell ?" That question must now be turned on its head. Now we ask ourselves "What must we keep ? What is the inescapable core of government ?"

If all reforms are changes but not all changes are reforms (Chapman, 1988), perhaps the most important change needed is a capacity to recognise the need for change - not, for instance, the classic example of Parliament's first response to the motor car - limiting its speed to 4 miles an hour and requiring it to be preceded by a man on foot waving a red flag.

Hunt (in Managing people at work, 1986, p.118) said

"The rational model of management is about order, structure, defined strategy, management by objectives etc. The behavioral model is about creativity, innovation, gut feel, emotion and feeling. None of the latter fit well into the rationalist model and yet it is the release of such creativity that is necessary if staff are to provide better service to the customer."

Therefore, modern government does not only require administrators to pursue their traditional role and deploy their skills in exploring the full range of views on a particular topic and setting them out with clarity and accuracy. In the civil service, adherence to the public service ethic of loyalty has often been seen to be sufficient, and innovative management may have had to rely on an individual behaving in a manner uncharacteristic of civil servants in general (Howells, 1981).

We therefore need to examine the importance of innovative management in the new Agencies. If civil service staff are to be "empowered" to

act independently to produce the results sought, it is particularly important that they are committed to the service they provide. The Office for the Management of the Civil Service has promoted ways of Chief Executive Officers in the Next Steps Initiative exchanging experiences about their Agencies (Chapter 8). Later chapters will examine what features the operations of some Agencies may have in common.

Frederick Herzberg studied satisfaction in employment, and identified motivators operating in the work situation. The five motivators, according to Herzberg, are achievement, recognition, responsibility, advancement and the nature of work itself. These are all related to the content of work (Herzberg, Mausner and Snyderman, 1959).

The factors mentioned most in the context of dissatisfaction were those relating to how work is managed - organisation policy and administration, supervision, interpersonal relations with supervisors, and working conditions. These can all act to cause unease through their absence or inadequacies, and inhibit motivation, and are aspects under the control of the new Chief Executive Officers in the Next Steps Initiative Agencies.

In addition to motivation, the conditions to promote lasting change include alterations to patterns of behaviour, and encouraging the culture of efficiency, effectiveness and value for money. Therefore, more commitment and effort can be promoted by attention to the design of jobs, including increasing variety, giving a person greater responsibility for planning their tasks, and more control over the

way in which the tasks are carried out (Richardson and Richardson, 1989).

Accountability for the civil service

Under this heading, the need is to examine first of all why accountability has developed in the civil service initially as a duty of Ministers to Parliament. More recently, the concept that someone should be responsible to the legislature is extending to responsibility to a wider range of people and organisations, including the private sector concept of "the customer". In the Next Steps Initiative, we need to see whether the duties of the Chief Executive Officers mean a potential conflict between their responsibilities and those of the Accounting Officers in Departments.

Accountability to Parliament

It is easy to criticise the organisation of the civil service and forget that the detailed procedures, the cautious approach to change, and the formal hierarchy all have a purpose - to ensure that everything is recorded, that events can, if necessary, be traced back into the past, and that the system can demonstrate whether Parliament's intentions have been carried out.

As mentioned earlier, it is an intended outcome of the Next Steps Initiative that administrative staff at the centre or core of the civil service Departments should concentrate their efforts on their prime abilities to analyse and assess, and advise Ministers, and

leave the new Agencies to carry out their operations free from too much interference. So we also need to examine in later Chapters how well the Departments have been able to establish their new role of "hands off" supervision in relation to the new Agencies, and how that can be balanced with the Permanent Secretary's continuing responsibilities as Accounting Officer for the Department.

"A code of accountability is, then a system of signals, meanings and customs which binds the parties in a stewardship relation and governs the liability of the steward to present an account of the conduct of his stewardship"

(Gray and Jenkins, 1985, page 140).

Modern government is no longer the limited and exclusive world which began with the responsibility of Ministers reporting directly to the Sovereign. The concept of accountability has developed since the enfranchisement of the adult population to a social and political process, using an agreed language and criteria for assessment. Accountability has been said to be the main distinguishing feature of public administration, in that it now requires Departments to carry out their work in a manner acceptable to Parliament (Stanyer and Smith, 1976).

It is a convention that Ministers are accountable through Parliament to those who elected them for the actions of the civil servants in their Departments. Conventions - moral or other rules - may be established from a series of precedents, or by formal agreement, or

because of some acknowledged principle of government. They may be obeyed either because of the political difficulties which follow if they are not (Jennings, 1959); or because they are considered to be obligatory by those concerned with the working of the constitution (Wheare, 1951).

The theory has been "When things go right, ministers take the credit: when things go wrong, they take the blame". The Crichton Down Affair in 1954 is the example which has usually been cited as establishing the principle (Drucker, Dunleavy, Gamble, and Peele, 1983), although it has since become clear that the Minister (Sir Thomas Dugdale) resigned because he was not prepared to abandon a specific decision unacceptable to a significant section of his party, rather than because he accepted responsibility for an act of maladministration (Hennessey, 1989).

More recently, ever widening Ministerial responsibilities, coupled with the limited period of their tenure in Departmental posts, has diminished political accountability in practice. It is perhaps therefore not surprising that the idea that Ministers are responsible for all that Departments do in their name now generally seems to be exhausted (RIPA/Peat Marwick McLintock, 1988). In 1977, Sir John Hunt told the Expenditure Committee -

"The concept, that because somebody whom the Minister has never heard of has made a mistake means that the Minister should resign, is out of date and rightly so"

(Eleventh Report from the Expenditure Committee (The Civil Service) HC 535-1 (1977)).

A survey by the Economist showed that, between 1947 and 1988, 10 out of 11 Ministers resigned when there were failures in their Departments. By contrast, only half of the 6 Ministers similarly identified since 1988 have done so (The Economist, September 1992). By retreating from some of their responsibilities for the outcome of policies, politicians may in practice be increasing the power of the civil servants in the Executive, including those in the newly created Agencies.

The problems of Ministerial control are compounded by the limited time they may serve in a particular post. Their average period of tenure in the Department of the Environment has been just 2 years; Ministers in the Department of Trade and Industry have lasted an average of 16 months before being moved on. In this situation, Ministers may not have time to become fully conversant with their responsibilities so as to be able to operate effectively, especially since they are much less likely than their European counterparts to have had previous experience of their subject in a work environment (Hibbs, 1991).

Control by Parliament has many limitations. There are restrictions on the information which officials may give under the Osmotherly Rules, which do not allow civil servants to give details of alternative strategies which could have been pursued. Select Committee reports can be ignored by government, and in any case only

3 days a year are allocated in Parliament for discussing all their reports (Davies and Willman, 1991). Also, the role of Committees must essentially be after the event complained of, since they have no input into policy-making.

The First Division Association representing senior civil servants argued in evidence to the Treasury and Civil Service Select Committee that an extension of the freedom of information would be needed if the principle of a clear division of responsibility between Ministers and civil servants was to be extended into the sphere of policy advice (Treasury and Civil Service Select Committee Interim Report, 1993).

A form of independent appeal for civil servants is now being introduced for when they feel that they have been asked to behave improperly by Ministers (The Economist, May 1994), since the present appeal is to the Head of the Civil Service who is also, as Cabinet Secretary, the Prime Minister's closest adviser.

Developing concepts of accountability

"It is not easy in the Civil Service clearly and distinctly to allocate to individuals or units the authority to take decisions ... We believe ... that the work of Departments can be so organised as to enable responsibility and authority to be defined and allocated more clearly than they often are at present. Individuals and units could then be called to account for performance which is measured as objectively as possible

... We consider this principle of organisation to be a necessary condition for achieving maximum Departmental efficiency and for enabling men and women to get greater satisfaction from their work."

This quotation is not from the Next Steps Initiative, but from the Fulton Report, which had found that the structure and practices of the civil service had not kept up with the changes in the role of the administration (Fry, Flynn, Gray, Jenkins and Rutherford, 1988).

Public accountability implies that "someone" should be responsible for the way in which the duties of government are performed and the costs of doing so. The idea implies a framework for acceptable performance, an agreed way of measuring whether it has been achieved, a definition of the person or persons to whom the account is to be rendered, and a consistency in order and practice. In the past, the emphasis was on this political accountability, where those with delegated authority are answerable for their actions to the people, whether directly in simple societies or indirectly in complex societies. The consumer as customer was not a concept which was recognised. Now, the range of people and organisations to whom a Minister or his civil servants are responsible has widened, and we should look to see whether that is one of the most striking aspects of the Next Steps Initiative.

In order to be effective, accountability requires easy access to information, established procedures for dealing with complaints, and independent external monitoring. Modern commentators might also add

that the system should work in practice, to deliver meaningful results which can be taken on to improve the organisation whilst keeping under constant review the statutory duty and the choice of means for its delivery.

In looking at the operation of the Next Steps Initiative, one aspect to be examined is to whom civil servants are now to be accountable; whether accountability as a concept embraces a range of organisations and people to whom civil servants and public servants should be seen to be accountable -

Parliament;

Ministers,

Departments,

interest groups,

the public at large

and customers

We shall be looking to see whether these new responsibilities have been fully recognised in the new Agencies, and if formal targets and aims demonstrate to whom these responsibilities lie. It is in this area that Agencies such as the Planning Inspectorate, whose staff

have long had an independent role and a more public profile, may show the way to the future.

If the "customer" is now to be added to the list of those to whom the civil servants is to be accountable, this may mean new responsibilities for staff in the civil service. If the customers themselves are to have an input, through surveys and other ways, there need to be methods of showing this and assessing their priorities. That also implies an effective means of measuring customer satisfaction.

The National Consumer Council has suggested that the minimum conditions for accountability are publicity for operations and the annual report, commanding public confidence with an "approval procedure", strong external design and control, separate operation and control from the "industry", full representation by consumers and outsiders, a code of principles and standards, a clear complaints procedures, sanctions for non-observance, and monitoring for changing expectations.

One reason for the increasing influence of specialised interest groups is public disenchantment with political parties. The active membership of both the Conservative and Labour parties have fallen dramatically since the early 1950s (Economist, 1993), and only 7.4% of the electorate belonged to a political party in 1990. Politics could therefore be said to be a declining sector of the economy (Jacques, 1993).

It may be that because people have become disillusioned with conventional parliamentary politics (Economist, 1992), they have found a more effective way to influence government; or that the government and politicians may no longer be able to control the way facts and discussion are presented to the public.

By involving the public, the Next Steps Initiative could be turning what are now termed as "customers" into interest groups with semi-formal rights - which could be described as a kind of substitute democracy. The same description has been used for the Citizens' Charter (Dunsire, 1995).

Scrutiny of accountability

"The devolution of responsibility and enhanced freedom for Agencies should not compromise Government accountability to Parliament"

(from the Third Report of the Home Affairs Committee on the Next Steps Agencies, HMSO 1991).

Since the time of the Crichton Down Affair, there has been an increasing use of tribunals of inquiry, Select Committees of the House of Commons, and the Ombudsman to look at the separate responsibilities of Ministers and civil servants when things go wrong.

Almost all central government Departments are shadowed by a Select Committee which examines their expenditure, administration and policy. In 1978, reforms to the system were suggested by the Select Committee on Procedure, including a more rational structure shadowing parts of government and particular policies, with more flexibility and administrative support (Drucker, Dunleavy, Gamble and Peele, 1983).

"The key requirement is for a clear distinction between the Ministers' and Chief Executives' responsibilities ... The theory of Ministerial responsibility for policy and Chief Executive responsibility for operational matters is an attractive one but not necessarily convincing in practice"

(from the Third Report of the Home Affairs Committee on the Next Steps Agencies, HMSO 1991).

We need to examine whether the opportunities for Parliament to control the activities of government organisations via ministerial responsibilities conflict with the need to allow Chief Executive Officers adequate freedom to manage, free from outside direction. In the past decade, Select Committees of the House of Commons have developed into an effective means of examining the answerability of civil servants in managing the execution of government policy. How effective is this process in the context of the Next Steps Initiative Agencies ?

Accountability, being about the interpretation of facts and the use of judgement (Day and Klein, 1987), may have become one of the basic principles seen to underpin the concept of the Next Steps Initiative, and autonomy within an Agency may conflict with accountability to Parliament. What are the consequences when civil servants have, as in some Agencies, a more independent role ?

Accountability depends on an agreed framework of meaning, a common vocabulary to which people respond (Day and Klein, 1987), and criteria that should be used in assessing them. The Treasury and Civil Service Select Committee in their Report on the Role of the Civil Service (November 1994), emphasised the importance of ensuring that "the standards and ethics essential to the operation of the civil service were well understood", and did not agree with the government's view that this was the case at present.

Decentralising tasks is, in theory at least, one way to identify those responsible for particular areas of work. Responsibilities need to be clearly defined before people can understand who is responsible for what. Better links between management and other staff may be needed (Tomkins, and Colville, 1989), and it is important to see accountability not only in terms of answerability for policy or performance, but as a positive opportunity for improvement.

It is a characteristic of the civil service that there must be a procedure for everything. Managerial accountability for civil servants has in the past been focused on administrative procedures and allocating responsibility for actions and expenditure, with those

having delegated authority being answerable for carrying out set tasks according to agreed criteria of performance. But time expended on developing new procedures in Agencies for novel situations cannot be used to take the same organisation forward in other ways.

By contrast, hands-on professional management in the private sector means accountability, responsibility for individual actions, and visible control with clear roles and objectives, stressing results, with decentralised budgets, flexible use of proven private sector techniques and greater discipline in the use of resources (Hood, 1991). It is the more progressive concepts in the private firms which the proponents of the Next Steps Initiative seek to extend to much of the modern-day civil service, allied with more outside scrutiny.

The ways in which the activities of Departments and Agencies can be measured and controlled

In this and the following sections, the reasons for controlling the activities of civil servants will be examined, and the ways in which this developed before the advent of the Next Steps Initiative. This will give a basis for considering in later chapters the financial controls and methods used in the new Agencies, including the role of auditing, which is an important feature in controlling the new regime, and the recent requirement of a productivity improvement which affects both Agencies and other parts of the Departments.

We shall then move on to other innovations which have been introduced in parallel with the Next Steps Initiative and may have influenced its development - market testing and the Citizens' Charters. Finally, the use of performance indicators will be considered, in order to assess in later chapters how effective these indicators are as a major feature of control in the new Agencies.

The reasons for control

Accountability, as we saw earlier, is necessary in order to demonstrate that Parliament's intentions have been carried out. In turn, that implies that the government is operating in a fair and effective manner.

Thus, good "governance" has been described as being:

"a public service that is efficient, a judicial system that is reliable and an administration that is accountable to the public"

(Stowe, 1992, p.388, quoting a World Bank report in 1990).

In the context of accountability in the public service, the need is to demonstrate that efficiency. One issue is whether the nature of the work done has a significant effects on the implementation of the Initiative. Where casework or demand fluctuates as it does in many Agencies, how can that be accommodated effectively and without excessive expenditure ?

"The success of the Next Steps Initiative is dependent on an improvement in performance by the Agencies"

(from the Third Report of the Home Affairs Committee on the Next Steps Agencies, HMSO 1991).

Control has no meaning without some way of demonstrating that it is being exercised. Sir George Moseley, when he was Permanent Secretary addressing civil servants in the Department of the Environment, said that it was necessary to be able to measure performance and achievement in a way credible to the staff themselves before it was possible to go very far on incentives and rewards.

One definition of control is close to bureaucracy - practices and procedures which show how much is being done and by whom. But this ignores the issues of why something is being done and for whom. And the underlying reason for control must surely be because resources are not infinite. So the reason for control is partly to make it clear where resources are being used, and hopefully why they are.

How can it be demonstrated to the public that control works, and what methods have Agencies used to improve the process ? This is an area where the civil service may have difficulty; rapid response and participatory action may be unfamiliar to those controlling the service being provided, and central rules and regulations can inhibit effectiveness.

Financial control

Thus, control of government activities by Parliament is inevitably closely linked to the ability to restrain financial expenditure. This is not surprising when central government expenditure is close to 45% of GDP (Economist, 18 September 1993). The scale and complexity of government operations has expanded in advance of the techniques to control and measure it, with the Treasury often trying to put more sophisticated controls in place after the activities to be controlled have been set in motion. The Treasury depends on the Departments to do the work, with the informal hierarchy and many channels of communication being the secret of their control, co-ordinated by a continuous round of personal contacts (Heclo and Wildavsky, 1981).

Over the years, the Treasury's methods of control have developed from the cash-based estimates system of the 1950s reviewed by the Plowden Committee between 1959 and 1961 on to the PESC system which included more comprehensive systems for surveying government expenditure. In the Department of the Environment, a detailed Management Information System for Ministers (MINIS) was introduced by the then Secretary of State, Michael Hesletine, in 1980 to secure economy in the use of resources including manpower. In a report in 1982, the Treasury and Civil Service Select Committee supported the idea that Ministers and civil servants would act more as managers of the resources under their control and the MINIS approach was then adopted in other Departments under different names (Likierman, 1988). MINIS was a beginning in introducing accountable management, and led in part to

the introduction of the computerised management system, now known as MAXIS, whereby full costs were identified and allocated to functional units.

The development of management control

The Rayner Scrutinies which began in 1979 did not amount to a system of management (Harrison, 1989) but focused on the efficiency of government programmes linked to cash limits and reducing civil service manpower. However, they did have a major impact on the thinking and culture of the civil service (Stewart and Walsh, 1992), and the opportunities for change which were revealed were direct influences on the introduction of the Financial Management Initiative (FMI) and the Prior Options Reviews in the Next Steps Initiative.

The FMI aimed to establish a system which has been seen as "a surrogate for private-sector stimuli" (Hennessy, 1989 page 607), where managers have clear views of their objectives, define responsibilities, and measure outputs and performance in relation to objectives by providing information on resources. The system was intended to cover all kinds of managerial initiatives, and was intended to make more effective use of public funds (Likierman, 1988) but, without delegation of authority, the FMI did not give real power down the line. Rather, it emphasised a responsibility for reducing inputs almost regardless of outputs or policy effects. Management was regarded primarily as a means of control, based on a simple view of private sector management, rather than increasing efficiency (Harrison, 1989). Above all, the FMI applied only to that 13% of

central government expenditure overall that goes on administration. It did not extend to the expenditure on programmes and most executive functions.

These deficiencies led to the production of the paper entitled the Next Steps Initiative by the then head of the Efficiency Unit, Robin Ibbs in 1987, which proposed to treat the "business" aspects of Whitehall as more independent units, with Chief Executive Officers being held accountable through their Departmental sponsors to Ministers and Parliament.

However, through all the previous changes, the government accounting system for most parts of the civil service remains the gross accruals method, whereby income and expenditure cannot be carried over from year to year. The system does not allow for the rationale for investing in capital expenditure to be justified over a period of years. Consideration of the financial regime in the new Agencies has occupied much time since 1988, and we shall look at the alternatives adopted. Setting up the new Agencies has in itself been a lengthy exercise, and staffing levels and other factors will be examined in later chapters.

The advent of the Next Steps Initiative has resulted in a varied pattern of financial accountability - making sure that the cost of carrying out Parliament's intentions have been spent as agreed, in accordance with the appropriate rules. In order to create and maintain accountability in modern government, new financial and management systems are often needed, since it is the flow of

information which makes accountability a practical proposition.

Process or efficiency accountability, measuring that the required actions have been taken in a cost effective way, is about ensuring that the intended result has been achieved (Day and Klein, 1987).

There have been changes in the financial arrangements between Departments and Agencies. Are the methods introduced through the Next Steps Initiative resulting in the most effective dispensation of public funds ?

Auditing and financial restraint

Auditing is used, both within government organisations, and externally by the National Audit Office (NAO), to monitor how public services are delivered.

The greatest challenge to the auditing profession in government is the assessment of effectiveness (Glynn, 1985) and it is often important to find ways of cutting down the amount of paper associated with a particular procedure (Cassels, 1985) which conflicts with the practices normally required by the NAO. After all, a successful organisation identifies and then meets the demands of its customers at the least possible cost in relation to the service or goods sought. Can the NAO be expected to promote significant change and value for money ?

In the Budget of November 1993, the Chancellor announced a 3 year standstill on expenditure (including the civil service pay budget), which has implications for contracting-out functions both in Agencies

and elsewhere in the civil service. In March 1994, the Chancellor of the Exchequer reiterated that the fundamental reviews of civil service spending would continue, and that savings would be sought to make sure that public money is well spent, and that the services provided must be done by the State. We need to assess the consequences of these decisions in both the Agencies and the remaining central core of Departments.

The control of performance

Professor Eric Caines said in evidence to the Treasury and Civil Service Select Committee in 1993 that civil service staffing is determined too much by the fixed pay and grading system, with posts at each intermediate level having to be filled even when that results in overlapping of responsibilities attached to each grade.

In looking to improve performance, the authors of the Next Steps Initiative said, as we have already seen, that the tasks of the new Agencies should be defined, and clear accountability established for the way in which the organisations operated. In turn, this implied that these responsibilities should be devolved to individual managers capable of meeting performance targets. The new Agencies publish annual performance indicators, and their ability to achieve these each year is used as a basis for re-assessing and, if necessary, upgrading the requirements for the future.

Performance indicators and performance management are derived from mass production in industry, and a basic assumption is that the

relevant tasks can be defined and measured. Early performance indicators described easily measurable functions, where the inputs could be simply aligned with the outputs; however, particular difficulty have been found in measuring policy outputs. Studies have shown that there has been a tendency for performance indicators to stagger between excessive simplicity and impossible complexity, which needs to be resisted and managed. There can be a danger of efforts being focused on these targets to the exclusion of developing a more effective service in other ways (Stewart and Walsh, 1992).

The most common output and performance measures are throughput, productivity, cost, quality of service and quality of work (RIPA Working Group, 1987). One question that needs to be examined is whether Departments as sponsors of Agencies have used the targets to good effect, and whether effective means have really emerged for assessing performance.

Labour productivity is a common measure of efficiency used in Agencies - the output divided by the number of staff. These measures need supplementing, as alone they do not take account of changes in prices, or lack of control over costs, due to external influences such as service-wide decisions on pay levels. Clearly technology can help in producing statistics and interpreting the results, if it is available.

The emphasis now is on improving the quality of the performance indicators (RIPA/Peat Marwick McLintock, 1988), but this can be a substitute for performance itself. Properly monitored performance

indicators should be able to demonstrate value for money and educate the public as to their rights in using public services.

Measures which show service to consumers can threaten the providers, by leading to higher standards and therefore more pressures; by consumers' demands conflicting with the priorities of politicians, members or professionals. Thus, it can be difficult to control spending where there is increasing commitment to service quality (Harrison, 1989). It is too easy to tilt performance towards cutting costs rather than achieving and improving quality.

Certainly, performance indicators should not be seen as more than an aid to management. Perhaps the real indicators of quality are doing the routine things well (Carter, 1991), and that brings us back to bureaucracy and one of the virtues of the organisation in the civil service.

Summary

This Chapter has looked at three aspects of government - the way the civil service has been organised; accountability and changing responsibilities; and methods of measurement and control. The questions which arise in considering the introduction of the Next Steps Initiative can be summarised as:

the consequences of the way in which the Initiative was introduced, without statutory measures, and the effect of the Prior Options Reviews;

whether the Initiative itself has led to more open government (bearing in mind also the advent of the Citizens' Charter);

the effects of competition and the advent of market testing;

possible changes in the scope and allocation of accountability, including the role of the "customer";

the control of Agencies' activities, including the effect on the autonomy of the Chief Executive Officers, the role of accounting systems, of performance indicators, and fluctuations in workload; and the effect of the productivity requirement introduced by the Treasury;

the effect of supervision by the NAO, and whether the advent of the Initiative has led to better value for money;

the relationships between Departments and Agencies; the relevance of traditional civil service methods; the relevance of the type of casework or demand for an Agency's services, and whether professionals will be affected differently from administrative staff.

In the following chapters, the Planning Inspectorate Agency and other Agencies in the Next Steps Initiative will be considered in the context of these questions.

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CHAPTER 3 - METHODOLOGY

This thesis examines the experience of the Planning Inspectorate in progressing to and beyond Agency status, in the context of the Next Steps Initiative throughout the civil service, and by comparison with the experiences in the other Agencies which have been created.

As mentioned in the Introduction, the Initiative is a relatively new innovation in government, although it has been introduced within the established, and well documented, pattern of civil service organisation and management which was described in Chapter 2. Market testing and the Citizens' Charter are also recent additions to the practices used by civil servants (Chapter 1).

The methodology to be used therefore needed to combine the review of existing and established practices for maintaining accountability and control (Chapter 2) with obtaining information on the developing situation in the new Agencies, including the Planning Inspectorate, and relationships with the civil servants in the central core of the Departments (Chapters 5 to 9), so that the questions raised in Chapter 2 could be addressed, discussed (Chapter 10) and conclusions drawn (Chapter 11).

I therefore used three complementary sources for this study:

- (1) an extended reading programme;

(2) a programme of interviews; and

(3) my practical experience as an Inspector, and discussions within the Planning Inspectorate.

1. Reading programme

I carried out a full reading programme, using the library at the University of Bath for general aspects of government and, for more specialised topics, the Department of the Environment Library at the Inspectorate's headquarters in Tollgate House, Bristol.

I first reviewed the general literature on government organisation in this country since the last war, and the factors which have influenced the way in which the civil service operated prior to 1988. These studies have included addressing the conventions of political and Parliamentary accountability, and the development of methods of control, and particularly financial control.

I then moved on to matters more specific to the Next Steps Initiative and the experiences of the Agencies created. In looking at a recent innovation in the civil service which has created changes from established practices over a short period of time, I have necessarily found a range of information in contemporary newspaper and journal reports.

Since the creation of the first Agency, the Vehicle Inspectorate, in August 1988 there has been no shortage of academic studies and press

comment. To date, most commentaries on the Next Steps Initiative (as well as the Citizens' Charter and market testing) have been in papers in learned journals rather than books, and in regular articles in the national Press; various commercial organisations have also published commentaries on the progress of the Initiative and its Agencies from time to time. I have drawn on all these sources.

The Initiative and this study draw not only on previous efforts to reform government such as the Fulton Report, but also on experience abroad - in particular in Sweden and, further away and more recently, New Zealand as briefly mentioned in Chapter 1. I have therefore read available literature on the experiences in those countries.

The rest of government has not stood still whilst the Agencies have been created. The introduction of market testing, intended to promote value for money and move appropriate activities in government into the private sector but under central control, affects Agencies as much as they do the centre of Departments. Similarly, the Citizens' Charters cover the broad sweep of activities that affect the public. With market testing, they have been kept under scrutiny by the Press, and I have used articles there as my main source for the most recent events.

In the past year, the government appears to be supporting more open recruitment to senior civil service posts, and a stronger line on limiting the size of the central core in the Departments. This approach has also been subject to review by the Press.

In order to understand the way in which these matters have developed, and also to anticipate how the Inspectorate's staff might react to a more active management style, I studied the literature relating to means of introducing change into organisations, and the pitfalls that could be encountered.

In government, the Next Steps Initiative has brought with it the introduction of framework documents and performance indicators, and other means, such as Annual Reports, Business Plans and Corporate Plans, of establishing whether aims and objectives are being met, and targets reached. Articles in the national and more specialised press are also a useful source of information and comment on recent developments in these areas.

More independent studies, such as those by Trosa in 1994 and by Massey in 1995 (Chapter 8), are providing an overview of how the Next Steps Initiative is working in practice, and examining how the relationships between Departments and Agencies are working in practice. I have included these aspects of the new administrative pattern in this study.

2. Interviews

Published information about the Agencies in the Next Steps Initiative and their relationships with other parts of government and commerce can only be a snapshot of what is happening, and can be presented by government to highlight those aspects of its operations which are doing well.

FIGURE 3.1 - Programme of interviews

(the post mentioned is that held at the date of the interview)

David Aldous, Principal Auditor dealing with Environment issues,
National Audit Office.

David Beeton, Chief Executive Officer, Royal Palaces Agency.

Stephen Crow, Chief Planning Inspector and Chief Executive Officer, The
Planning Inspectorate Agency.

John Fitzgerald, member of the Project Team for the Next Steps
Initiative, Cabinet Office.

Frank Grogan, Audit Manager responsible for Value for Money (VFM)
training and technical development, National Audit Office.

Stuart Hampson, Chairman, the John Lewis Partnership.

Paul Hartnack, Comptroller General and Chief Executive Officer, The
Patent Office Agency.

Sir Terry Heiser, Permanent Secretary, Department of the Environment.

Alexander Hermon, Senior Legal Assistant, the Council on Tribunals.

Alan Joyner, District Planning Officer, Northavon District Council.

Sir Peter Kemp, formerly Project Officer, the Next Steps Initiative,
Cabinet Office.

Judge Timothy Lawrence, President of the Industrial Tribunals.

Rex Mercer, Partner in Charge, Consulting Group, Drivers Jonas,
Chartered Surveyors.

John Pemberton, Assistant to the Chief Executive Officer, Land Registry
Agency.

Richard Wakeford, Assistant Secretary, Planning Development Control,
Department of the Environment.

Ian Watson, member of the Project Team, Next Steps Initiative, Cabinet
Office.

To obtain information more directly, I therefore decided to carry out a programme of interviews with senior executives in relevant organisations in government, private professional practice, and commerce (Figure 3.1).

A series of interviews with the people running some of the Agencies was a priority, and I arranged to have informal discussions with representatives of 3 Agencies - the Patent Office; the Land Registry, and the Historic Royal Palaces - as well as with the Chief Planning Inspector.

The first two Agencies have regulatory functions which seemed likely to give them experiences and problems relevant to some of those occurring in the Planning Inspectorate. The Historic Royal Palaces Agency operates in a very different field, but has three characteristics which are of interest. First, it was previously part of the Department of the Environment; secondly, the Agency had been moved from supervision by that Department to another (Heritage); and, thirdly, its Chief Executive Officer came, unlike those in the other 2 Agencies, from the private sector (albeit having had very relevant previous experience for his new role). I also met the President of the Industrial Tribunals, which is a body exercising a quasi-judicial role in many ways similar to that of the Inspectorate, but for which Agency status was decided to be inappropriate.

Every potential Agency liaises with what was the Next Steps team in the Cabinet Office (now part of the Office of Public Service and

Science). I met the civil servant who was liaising with the Planning Inspectorate before its Agency status was formally acquired; and, subsequently a second civil servant seconded from the Intervention Board to a similar role, together with Sir Peter Kemp (shortly after he left the civil service), who as the first Project Officer for the Initiative was responsible for much of the impetus behind the process.

I discussed the operation of the Next Steps Initiative within the Department of the Environment with the then Permanent Secretary, and later with another senior administrator who had been in charge of the Buying Agency during its formation, as well as having several years' experience of dealing regularly with the Planning Inspectorate on administrative and planning policy matters.

I also met staff from the National Audit Office (NAO) who were responsible for overseeing the finances of the Department of the Environment's Agencies, including the audit of the Planning Inspectorate; the NAO is funded directly by Parliament, and oversees the finances of all the Departments and the Next Steps Initiative Agencies, as well as those of other government funded bodies.

Another independent organisation which is concerned with overseeing quasi-judicial functions such as the Industrial Tribunals and the Planning Inspectorate is the Council on Tribunals; I was able to meet their senior legal officer.

Finally, I met three senior executives, working respectively in commerce, private professional practice, and in local government, who are each frequently concerned with planning appeals and other responsibilities carried out by the Planning Inspectorate.

All the interviews were done on a non-attributable basis; I am grateful for the time and courtesy of those who assisted me. In the text, I do not attribute any views or quotations to any individual.

From these interviews, I was able to gain valuable insights into the background to the Next Steps Initiative; the process of creating new Agencies; the relationships between Agencies, their parent Departments, and outside bodies; problems of financing, accountability and control; and how the Next Steps Initiative is really working in practice.

3. Practical experience and discussions

As an Inspector in the Agency at the centre of the study, I have used my practical experience, together with discussions and interviews with professional and administrative managers and colleagues. I discussed the previous history of the Inspectorate, and the creation and operations in the new Agency with, (in alphabetical order) Martin Brasher, Peter Cheeseman, Malcolm Davey, Jim Dunlop, Mike Forsyth, Derek Gough, Donald Harris, Ian James and Steve Meeks.

Where they were available to me, I have used internal documents which chart the progress of the Planning Inspectorate towards Agency status

and since. I have not relied on documents of a confidential nature. The opportunities to discuss with the Inspectorate's staff the progression of the Inspectorate during the period between agreement that the Agency should be set up and its formal status as such in 1992 have been invaluable. The Planning Inspectorate has long employed staff distanced by the nature of their role at arm's length from the centre of the Department, and many of my colleagues have added to my experience of the advantages and the practical problems which that brings.

Inevitably, having the opportunity to view an Agency from within as an employee also has its restrictions. Although the opportunities to obtain information are superior to those which someone from outside the civil service would enjoy, equally the confidentiality requirements which civil servants must observe do not allow some information to be disclosed or used. Although they did not prove to be an overwhelming constraint, I had to bear these matters in mind throughout the study period.

However, there is one practical matter concerning the process of finalising this study which does demonstrate a practical impact arising from the Next Steps Initiative. The civil service rules require that this thesis had to be read and cleared by my employer before "publication". Before April 1992, that would have been by a civil servant in the Department of the Environment; but the advent of Agency status has meant that this consideration was carried out within the Inspectorate by a member of its own staff; I am grateful to Alan Payne for his time and patience.

CHAPTER 4 - THE PLANNING INSPECTORATE BEFORE AGENCY STATUS

We saw in Chapter 2 that there is a long established pattern of operations within the civil service as a whole, with the civil servants' work carried out largely away from the public gaze in an hierarchical organisation.

This pattern of working, which has evolved informally over the years, is used by the administrative staff in the Planning Inspectorate who work very much in the way other civil servants carry out their duties. However, this pattern contrasts strongly with the independent role of the Planning Inspectors which has developed over the years on a formal legislative basis. This Chapter therefore identifies how this very different way of operating by the Inspectors has arisen alongside the traditional pattern of the administrative procedures.

We begin with, first of all, a short summary on the legal background to the Planning Inspectorate's organisation. We shall note the way in which the organisation has been accountable both to Ministers, and to those people and organisations who have used its services before the Next Steps Initiative was introduced.

Despite the strong legislative framework which has developed for the appeal system over the years, we shall also see that those procedures directly affecting the interface of the users of the appeal system with the Inspectors have often first been introduced successfully on an informal basis by agreement with the parties.

The administrative procedures used by the Inspectorate have been reviewed frequently, anticipating the Next Steps Initiative with its Prior Options Review process after the first 3 years of Agency status.

However, those reviews were done in order to streamline the administrative processes; it was rarely that the needs of the "customers" were considered important enough to invest time and money in consulting them.

History and organisation of the Planning inspectorate

The roots of the present system of development planning and control in England and Wales grew from the legislation to regulate the use of land by private and public landowners.

It was not until 1909 that legislative interest began to extend specifically to the separation of incompatible land uses and the supply of land for amenity use. The Housing, Town Planning, etc., Act 1909 was primarily concerned with giving powers to local authorities to build new houses and clear substandard properties, with an underlying purpose being the improvement of public health. However, the Act also gave discretionary powers to prepare schemes for land for development, and created the Housing and Planning Inspectorate to consider them.

An Act of 1919 with the same title was the first to require borough and urban district councils with a population of over 20,000 people

to prepare schemes for land in the course of development or likely to be used for building - the forerunner of the present day Structure Plans for counties and Local Plans for district council areas.

In 1932, the permissive powers to make a scheme were extended to all land in England and Wales, and section 10(5) of the Town and Country Planning Act 1932 established the right for an applicant to appeal against a local authority's refusal of planning permission (Telling, 1990). Further Acts extended these powers, so that by 1943 all land was subject to interim control whether or not a "scheme" had been made (Town and Country Planning (Interim Development) Act 1943).

A second Act in 1943 provided for the appointment of a Minister

"charged with the duty of securing consistency and continuity in the framing and execution of a national policy with respect to the use and development of land throughout England and Wales"

(Minister of Town and Country Planning Act 1943).

The control of land use, beyond purely local amenity and environment, was finally introduced by the Town and Country Planning Act 1947, and continued in the Acts of 1962, 1968, 1971, 1990 and 1991.

Until the 1947 Act, the landowner had the most effective of all planning powers, if he chose to use them. His power over development was absolute. Subject to the constraints of the market and human

behaviour, he could dispose land uses as he pleased (JPEL, 1994, page 52).

Thus the planning legislation changed the options open to landowners, and gave considerable powers to the local authorities to control development and, in the event of a dispute, gave a monopoly to the Secretary of State to determine appeals as advised by his Inspectors after an inquiry. The 1947 Act also introduced a hierarchy of planning authorities, who were required to prepare plans for their area to show what kind of development would be appropriate and where. A right of appeal to the High Court in London on a point of law from the Secretary of State's decisions on appeals was introduced by the Town and Country Planning Act 1959.

The development of appeal procedures

The planning legislation effectively created an additional level of bureaucracy throughout the country, since Local Planning Authorities were given powers by the planning legislation to control development in their areas and to make decisions on applications made to them for planning permission (under what is now section 78 of the Town and Country Planning Act 1990).

"(The appeals system) provides the ultimate safeguard against unfair or unreasonable decisions by local planning authorities, a mechanism whereby the public can obtain an independent and impartial hearing beyond the realms of local politics and influence.

It forms a precious part of the democratic decision-making process, and for this reason needs to be cherished and protected. Without it, the planning system would quickly fall into public disrepute."

(Evidence of the Town and Country Planning Association to the Environment Committee (1986); Planning Appeals, Call-In and Major Public Inquiries, HC 181 (London: HMSO).)

The grant of planning permission creates a form of "intellectual property" - literally a piece of paper which confers rights - in the case of a planning permission to the person in control of land or property to carry out the specified development within a prescribed period (usually 5 years) or to retain development already carried out. Agencies producing other forms of intellectual property are described in Chapter 9.

Should permission be refused, or no decision made within the statutory period laid down (normally 8 weeks) the applicant may appeal to the Secretary of State for the Environment. It is the role of the Inspectorate to act on behalf of the Secretary of State in these appeals, and in allied casework such as compulsory purchase and other legislative powers relating to the environment.

The powers to be exercised by local authorities and ultimately the Minister were of very wide application. As Wraith and Lamb pointed out in 1971 (page 56), quoting Baroness Sharp, Permanent Secretary to the Ministry of Housing and Local Government:

"(planning appeals) cover every variety of subject, from provision for a complete new community to the erection of a garage in the garden. They defy all attempts at any form of generalisation and any but a purely statistical form of classification."

In the 1950s, the normal procedures were for the appellant and the local planning authority to appear before the Inspector at a local inquiry to present their cases; the site was then viewed. The Inspector as the Minister's representative was required to act in accordance with the principles of natural justice during the inquiry. Thereafter, the appeals were dealt with in a similar fashion to other administrative decisions made by civil servants. The Inspector wrote a report to the Minister which was confidential to the Department, and in due course a short decision letter was sent to the principal parties.

However, the central civil servants taking the decision and the Minister were free to take into account other policies, to consult other civil servants, and they did not publish the Inspector's report. Thus the procedures within government after the inquiry followed the traditional pattern of secrecy and anonymity which we saw in Chapter 2.

The Franks' Committee

In an interesting precursor to the 1990s' emphasis on customer involvement, as development began to prosper during the 1950s, and the number of people affected by planning inquiries increased, the way in which the inquiry system operated came into question, particularly for those many small-scale appeals where the policy content seemed to be limited. The appellants thought that the decisions should be based on the outcome of the inquiry at which they had been present, and that the evidence given, and the details of the Inspector's recommendation, should be published.

This dissatisfaction with administrative processes in general was one of the main reasons which led to the setting up of the Committee on Administrative Tribunals and Inquiries (the Franks Committee) in 1955. The Committee's report in 1957 is regarded as one of the turning points in British administrative history (McAuslan, 1980), and as a benchmark for what is and is not proper in the administrative process.

The civil servants who gave evidence to the inquiry tried to maintain the traditional anonymity of their role, as they were not comfortable with the more open and accountable approach being urged upon the Committee. They said that, in the public interest, Ministers had to be free to seek advice elsewhere, that the inquiry was but a small part of the total administrative process, and that publication of the Inspectors' reports would give them a false importance.

Virtually all the other evidence to the Committee anticipated the Citizens' Charter approach some 30 years later, and supported public participation in the process, more procedural safeguards, more openness and more independence for Inspectors.

The Franks Committee gave considerable attention in their inquiry to the Planning Inspectorate, which had by far the greatest workload of all the organisations scrutinised. The Committee was not so much concerned about the procedures used by Inspectors during the inquiries, but with the handling of the cases before and afterwards - the administrative approach.

The Committee decided that people adversely affected by planning proposals did not have sufficient notice of the case they had to meet, and should have a right to see the report which the Inspector made to the Minister, and on which the decision was based. Wraith and Lamb (1971) comment that the Committee was not impressed with the civil servants' attempts to persuade them that publication of the Inspectors' reports could embarrass Ministers if a decision was made against the Inspectors' recommendation.

The Committee decided that the principles of "openness, fairness and impartiality" should be fundamental in the planning inquiry process, so as to demonstrate that the procedures had been implemented in accordance with the principles of natural justice.

The Committee also spent a considerable amount of time debating whether an independent Planning Inspectorate under the Lord

Chancellor was desirable in view of the quasi-judicial nature of the Inspectors' role, and finally advised that this was preferable to the Inspectors being retained within the (then) Ministry of Housing and Local Government.

However, after vigorous debate in Parliament in 1958 on the Council on Tribunals and Inquiries Bill (H C Deb, 575 and H L Deb, 208), the Inspectors was retained within the Ministry, but with the appointments and dismissals of the Inspectors being subject to the approval of the Lord Chancellor. The activities of the Inspectorate were also made subject to the supervision of the Council on Tribunals at the same time.

The special characteristics of the Planning Inspectorate

Thus the Inspectorate began to diverge from the standard administrative civil service pattern, and the unique and more public accountability of the Inspectors began to develop.

A new framework of procedural rules for handling planning appeals was brought in by statutory instrument, and the Inspectors' reports to the Secretary of State were published from then onwards. The Inquiry Procedure Rules required the Secretary of State to give reasons for the decisions. New internal administrative procedures were established for handling the papers associated with the appeal process.

However, unlike other administrative procedures in the civil service at the time, these procedures were directed towards demonstrating to those using and observing the inquiry system that the principles laid down in the Franks Report - openness, fairness and impartiality - were being met, and acknowledged the need to take into account the interest of the appellants, local planning authorities and, increasingly, third parties. They also underlined the independence of the Inspectors as adjudicators in their professional and practical role.

Since the enactment of the Tribunals and Inquiries Act 1958, which followed the Franks Report, other detailed rules and regulations have been introduced and regularly updated for most of the work carried out by the Planning Inspectorate.

The Ministers' planning policy intentions have been published, first in more frequent Circulars and more recently in Planning Policy Guidance Notes (PPGs). Applicants in making their proposals for development, and local planning authorities, Inspectors and Ministers in determining applications and appeals, are expected to have regard to these policies. The policies are also the starting point for Councils when preparing the development plans for their administrative areas.

"Planning policies are seldom in the form of rigid rules or tests, and Inspectors apply them and any other material considerations in both the professional and political context, so that the planning system is essentially discretionary ."

(Speech of the Chief Planning Inspector to the North West
Branch of the Royal Town Planning Institute, May 1994).

Norman Lewis has observed:

"Inquiries ... are quintessentially a way of civilising the
policy making process. They allow discourse and disputation in
relation to "political" decisions. They are decisions, in
reality, of a much more hybrid nature, depending on an amalgam
of political preference, policy appreciation and factual
perception."

(page ix of the preface to Purdue, 1991)

Thus the developing role of Inspectors extended the interface of
professionals in the civil service to those using the planning appeal
system, including the public and interested groups, in a very open
way.

Changes to the Inspector's role

In the 1950s and 1960s, some 97% of appeals had been decided in
accordance with the Inspectors' recommendations, but the
administrative procedures in the central policy "core" of the
Department needed to process the decisions imposed delays on
thousands of minor cases.

The powers set out in the Town and Country Planning Act 1968 therefore also allowed for appeals to be transferred to the Inspectors for decision. Some 2,284 appeals for residential development were determined by Inspectors in the first year - 44.7% of the total number. Subsequently, the jurisdiction in further categories of decisions was transferred.

These changes were described by Wraith and Lamb (1971, pp. 336) as of constitutional significance, since they gave the Inspectors a new status, and made them the final arbiters in decisions, rather than just "reporters" to the Minister (later the Secretary of State).

Another aspect of the Planning Inspectorate's activities has been the use of informal procedures, where the agreement of the principal parties could be obtained, in order to save money and reduce delays in the system for resolving disputes. In this, the developments introduced by the Next Steps Initiative were anticipated to some extent.

During the 1950s, as the number of appeals grew and threatened to swamp the system, the practice grew up of inviting the parties in cases of minor development to waive their legal rights "to be heard" at an inquiry, and rely on the exchange of written representations, and a site visit by an Inspector. This practice, although entirely informal initially, was officially encouraged by Circular 32/65 issued by the Ministry of Housing and Local Government.

Since most planning appeals are about relatively small local issues, the cheaper and quicker written representations' procedure became increasingly popular with appellants. By 1968 just under half of the appeal cases that year (just over 4000) used the procedure, which was formalised by section 21(6) of the 1968 Town and Country Planning Act.

In 1981, another informal procedure was introduced as an alternative to inquiries for small-scale appeals. These were (Informal) Hearings, where the parties agreed to waive some of their rights under the Inquiries Procedure Rules and, instead of an inquiry, the hearing took the form of a discussion chaired and led by the Inspector. This process was usually cheaper and quicker for the parties than an inquiry, and less daunting to those private individuals who rarely used the appeal system. From 31 hearings in 1981, the popularity of this method has grown so that for the first time there were more hearings than inquiries in 1992/93.

Thus there were 3 procedures in use:

a) inquiries at which the principal parties could be represented by barristers and/or solicitors as advocates calling witnesses, or appellants may represent themselves or use other professionals' knowledgeable about planning; third parties could appear with or without formal representation. A site visit followed the inquiry.

b) hearings on straightforward, simple appeals, where the Inspector led a discussion between the parties. The appellant could represent him/herself, or use a professional adviser. Third parties could speak, but legal representatives were not present. A site visit followed or formed part of the hearing.

c) written representations, where the Inspector visited the site but relied solely on papers submitted by the appellant, the local planning authority, and any third parties.

The Justice/All Souls Report of 1988 on Administrative Justice confirmed that:

"The essence of the system (of planning appeals) is the exercise of discretion informed by policy, rather than the application of law. The system employs the machinery of both central and local government, drawing on political and technical resources, and presents the most open form of our public administration." (page 268)

" ...The improvements in speed of decision and the use of written representations would have been difficult to achieve if the role of the Inspector had not undergone a significant change from that of reporting and recommending to that of decision taking." (page 288)

"The most obvious effect of transferring the bulk of decisions in planning appeals to Inspectors, as the Council on Tribunals

has pointed out (Annual Report 1979/80 paragraph 6.41) has been to convert the inquiry into a tribunal hearing." (page 289)

The informal introduction of new procedures continued in 1989 and 1990 with a trial of "sessional hearings", by agreement with the "customers" (the appellants and the local planning authorities). Initially the trial used cases that would have been decided by the written representations' procedures, and then with cases that would have used inquiries. In a daily session, 2 or 3 simple appeal cases were dealt with at successive hearings, the site visits having taken place on the previous day. After a short adjournment, Inspectors gave a concise oral decision, which was confirmed in writing by the Inspector direct to the parties within a few days (Chief Planning Inspector's Annual Report 1989/90).

This allowed the parties to have the outcome of the appeal confirmed in writing within a few days of the hearing. A subsequent survey established that appellants were willing to participate in the new process, but that they were keener on being "heard", and receiving an earlier decision, than on the opportunity to hear the outcome orally at the time. Not unreasonably, appellants like to know that the Inspector has had some time to consider all the representations made before coming to the decision. However, sessional hearings involved more administrative work than for the other procedures, and some extra preparation by Inspectors, without any consequent cost savings for the Planning Inspectorate. The use of the procedure was therefore discontinued at the end of the trial.

The combination of the changes brought in following the Franks Report mean that the planning appeal system is now one of the most open and accountable processes in public administration in this country (Norman Lewis, in the foreword to Purdue, 1991), with the Inspectors in the Planning Inspectorate at the interface between administrative, legal/judicial considerations, and political/participatory contexts.

As we saw in Chapter 2 in relation to the various commentators' views of government, the general convention that Ministers were responsible for everything done in their name has been weakened. In the case of the Planning Inspectorate, however, the formal legal position was that which operated in practice, as Schedule 6 to the 1990 Town and Country Planning Act provided that the Inspector had the same powers and duties as the Secretary of State when the determination of the appeal was transferred (Purdue, 1991). The term often used was that they "stand in the shoes of the Secretary of State". It should be noted that these powers were given not to the "Inspectorate" as a body or organisation, but to Inspectors as individuals. They thus anticipated, although more formally, the delegation of responsibilities which is intended to be an important part of the Next Steps Initiative (Chapters 1 and 8).

The planning appeal process has been the only recourse which most aggrieved applicants have if planning permission was refused, and in that sense the Planning Inspectorate has had a monopoly in the appeal process. In that planning appeal decisions have been reported in the local press, and in major cases on local television or even in the national media, the work of the Planning Inspectors can be said to

have been much more widely known than that in many other parts of government. Thus, the publication of their decisions and reports identified them personally with the outcome of each appeal and, where planning permission was granted, with the changes that new development inevitably brought to a locality.

In as far as the process has been brought into the open, and accessible to the public, how the process operates, the Planning Inspectorate has been a forerunner of some aspects of the Citizens' Charter, and what is now happening in other Agencies in the Next Steps Initiative.

Administrative procedures

At all stages, the process has been open to public participation, unlike many other processes in government. The main procedures dealt with by the Planning Inspectorate have been -

The appeal is lodged with the Inspectorate and the parties are notified.

The administrative staff gather information in accordance with the statutory rules and regulations.

Administrative civil servants in consultation with professional managers allocate the casework and appoint the Inspectors (charting), and sent the file to the Inspector.

The Inspector carries out the site visit or holds the inquiry or hearing.

The Inspector writes the decision letter (or report to the Secretary of State).

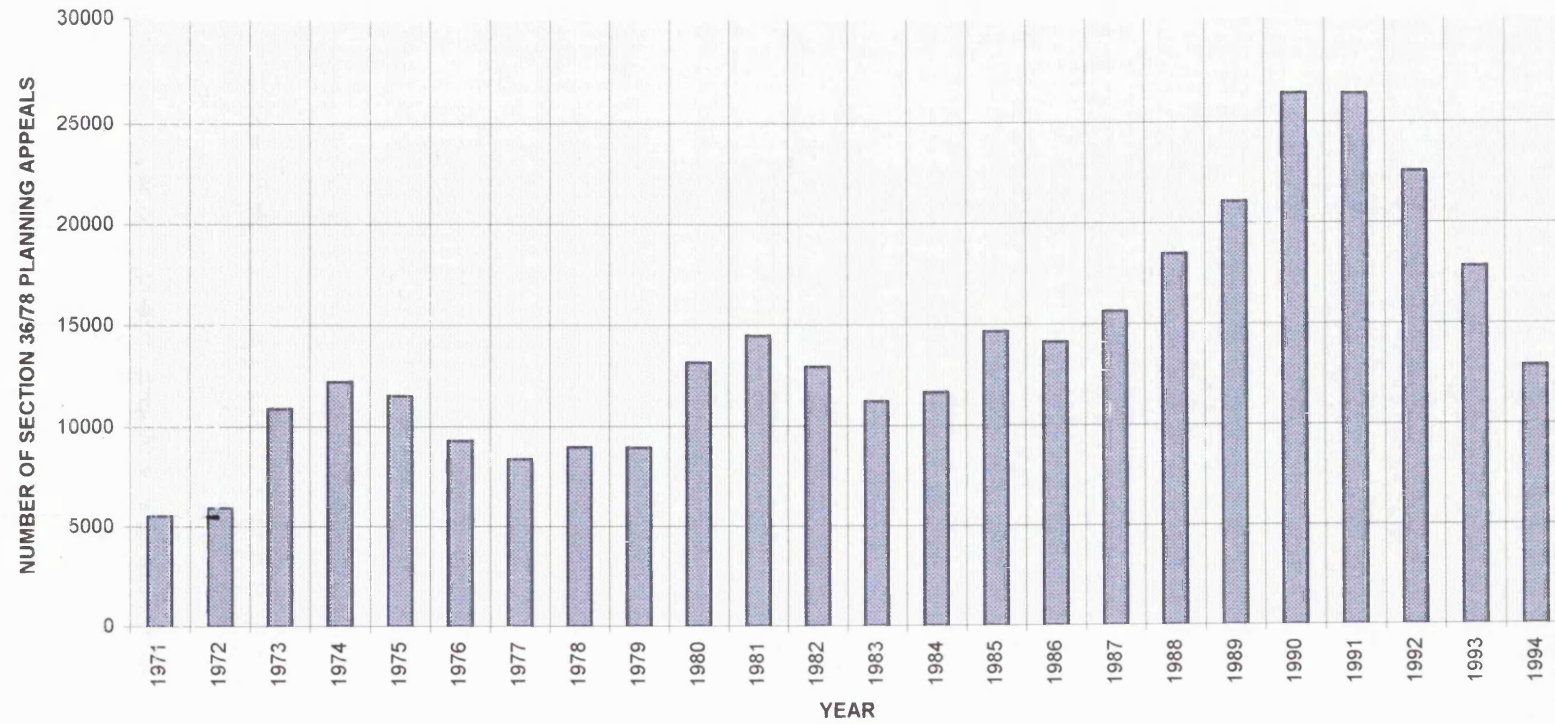
The letter or report is received and processed by the administrative staff in the Planning Inspectorate.

The decision is issued (or the report is sent to the decision branch in the Department of the Environment for consideration before the Minister's decision is issued).

The administrative staff in the Planning Inspectorate have been responsible for receiving the completed appeal forms; collating the representations to make up the case which is presented to the Inspector; and answering queries. Once the visit, hearing or inquiry is over, and the decision letter or report has been completed, Inspectors have posted the files back to the Planning Inspectorate's office in Bristol, for the decisions to be sent on, again by post, to the parties, or for reports to be forwarded to the central Department for consideration on behalf of the Secretary of State. We shall see, later in this Chapter, how often the parent Department saw it as being necessary to review these procedures, long before the Next Steps Initiative was introduced.

The Planning Inspectorate's Inspectors can deal with more than 180 types of casework, but planning appeals under section 78 of the Town

Figure 4.1 - number of Section 36/78 planning appeals decided



and Country Planning Act 1990 are the best known to the public. The variations in the size of that workload between 1971 and 1994 are shown on Figure 4.1, and these sometimes dramatic fluctuations have made it impossible for the Planning Inspectorate to keep to the quantity targets laid down for the new Agency. Allocating appeal casework is a major task, which becomes more complicated if any priorities are imposed for particular tasks, as we shall see after Agency status came about.

The complexity of the charting process interests most visitors to Tollgate House, the Inspectorate's headquarters -

"We were shown the famous chart room with its overtones of a Battle of Britain control room. The vast planning battlefield was displayed and there were earnest young men and women moving markers around and dispatching brave Inspectors into battle.

Sad to say, this famous display is soon going to be superseded by IT equipment and the room will then look like a glorified Estate Agent's office.

Perhaps the chart room should be retained as a planner's shrine. I am sure it could become a visitor attraction in Bristol on the lines of the Churchill war rooms in Whitehall."

(Michael Welbank, President, Royal Town Planning Institute, 1992.)

The main task of the Planning Inspectorate has not been to decide what the priorities for its caseload should be, as to keep up with the major task of deciding appeal casework.

Reports to the Secretary of State

As we have seen, Inspectors do not normally work in the hierarchical pattern familiar to most civil servants. However, there are a few exceptions to that. Although the accountability for appeal decisions has effectively been transferred to the Inspectors in most cases, there are some few appeals where the jurisdiction is recovered by the Secretary of State, because of the political dimension of public interest or concern, or because of the scale and implications of the development concerned.

The more open approach now being promoted throughout government, for instance through the Citizens' Charter, had been anticipated in the Planning Inspectorate prior to the Next Steps Initiative. In all cases, the reasons for transferring the jurisdiction away from the Inspectors to the Minister have been explained to the parties and the public - an interesting reversal of the situation in much other government business.

Where the decision is to be issued by the Secretary of State, the later stages of the consideration of the appeal are usually carried out in the regions, in one of the Government Offices shared by the Department of the Environment. In the overall context of the all the development appeals decided by Inspectors, the percentage of cases

where the Secretary of State did not support the inspector's views has been very small - between 5% and 8% a year of those few cases decided by the Secretary of State instead of the Inspectors.

Local planning authorities grant permission on average for between 85% and 87% of all planning applications made to them. The percentage of planning applications refused or undecided on which appeals are then made has been fairly consistent from year to year, at about 28%. Thus the Inspectors determine about 3.6% of all the applications made to planning authorities in England and Wales each year. Of these, about 35% are given planning permission, thus reversing the decisions made by the local planning authorities. About 98% of all section 78 appeals are decided by Inspectors, with only 2% the subject of Inspectors' reports having the decision reserved for central civil servants to make on behalf of the Secretary of State.

At the end of the 1980s, 83% of Section 78 planning appeal cases were dealt with by the written representations' procedures. Some 94% of cases were graded as straightforward. Less than 2% of cases are the major appeals dealt with by the most experienced Inspectors, although these cases take a much higher percentage of Inspectors' time overall.

The Planning Inspectorate's appeal targets for written representations and inquiries (11 and 17 weeks), introduced following Rayner Scrutinies in 1984 and 1985 assumed minimal queuing of cases between stages; co-operation of the parties throughout; and

availability of Inspector resources. The nearer the Planning Inspectorate gets to the target times, the greater are the unit costs for each appeal, since less effective scheduling and linking of programmes is possible when there is less choice of cases to chart to Inspectors at any one time.

The availability of information technology was not a feature of the organisation prior to Agency status. Its absence limited the organisation's ability to measure the speed and costs of processing appeals. In 1989/90, the most sophisticated technology in the Planning Inspectorate's administrative procedure groups was carbon paper. On the average planning appeal case, the appellant's address and site addresses were written out 34 times and the case reference 48 times.

Other difficulties were the long lead times between recruitment and availability of trainee Inspectors for the full range of work. It proved to be very difficult to match the variations in the number of appeals, which are often linked to the state of the economy, with the minimum 2 year period needed to train an Inspector to be able to cope with most smaller and medium sized appeals.

Organisation, recruitment and training

It is difficult to be certain whether physical or practical circumstances influence the way in which the organisation operates, but it would be surprising if this did not have some relevance.

The Planning Inspectorate in London was located in a different building to the policy divisions of the Department of the Environment prior to 1978. In that year, the headquarters of the Planning Inspectorate moved from London to Bristol, one of the last government offices to be moved out of the capital at that time. This distanced the organisation from the central core of the Department of the Environment physically, and made organising a dispersed group of professional staff more onerous because of the less adequate communications from Bristol for staff who live all over England and Wales.

In its practical day-to-day organisation prior to Agency status, the Planning Inspectorate was expected to follow the pattern of other parts of the Department of the Environment. Although Inspectors were recruited independently via the Civil Service Selection Board, administrative officers were appointed by the centre, and all staffing and personnel issues were dealt with by the Department in London.

To be able to carry out its role effectively, the Planning Inspectorate needed to be able to recruit suitable Inspectors when needed, and enable them to work effectively to a high professional standard. The work of the Planning Inspectorate was described as offering potential Inspectors:

"an attractive combination of interest, challenge and responsibility. It demands total commitment, self-confidence, high intellectual standards, self-motivation and integrity."

(From Planning Inspectorate recruitment advertisements in the 1980s)

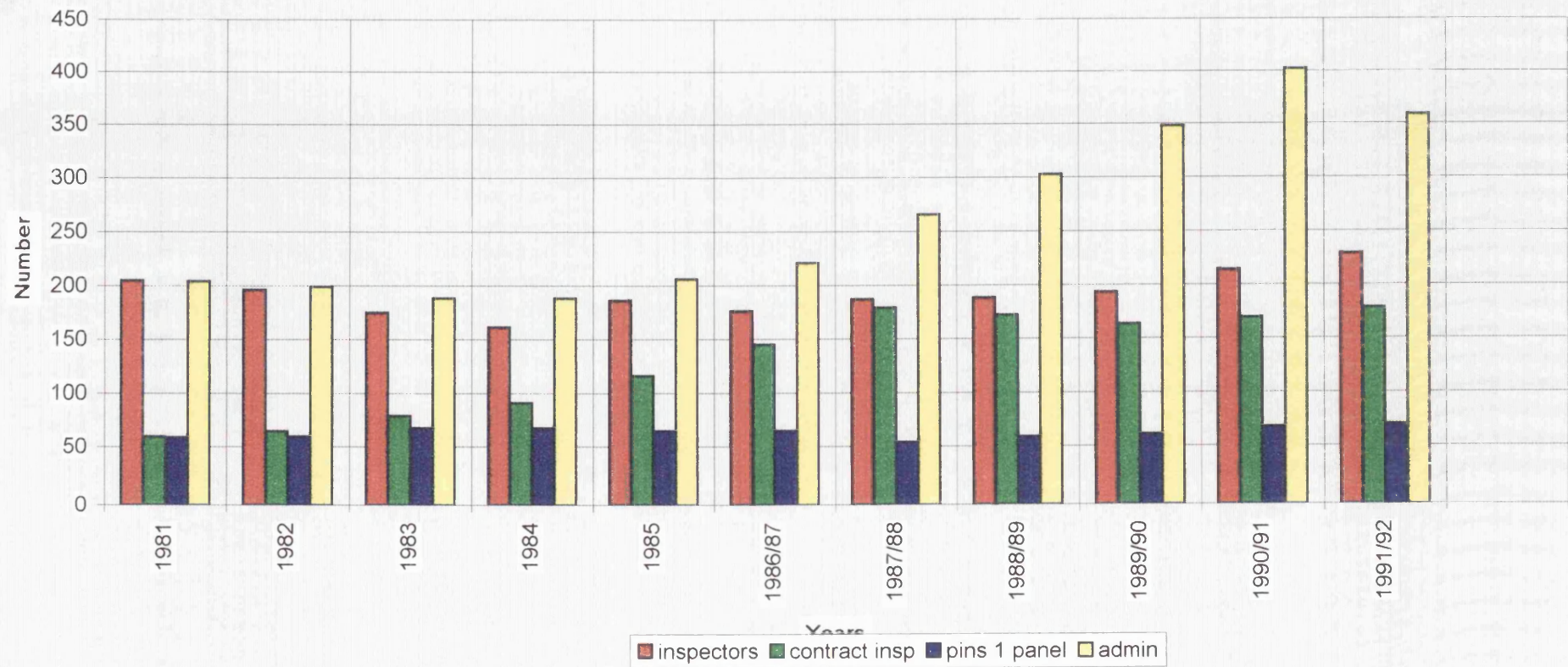
This phraseology is reminiscent of the list of professional attitudes in the Harvard Study, as well as to the motivators identified by Herzberg, to which there were references in Chapter 2, but not so much the skills traditionally thought to be appropriate for generalist senior administrative staff.

Service-wide restrictions on staffing can have a serious effect on the ability of an organisation with a variable workload to maintain its standards of service and speed of processing.

The recruitment of Inspectors has several unusual characteristics which contrast strongly with the normal pattern for the central civil service. Whereas young civil servants destined for the more senior management grades usually enter the civil service direct from college, Inspectors are recruited at a mature age (average about 42 years), from people professionally qualified and experienced in the field of planning law and practice.

In theory, a mixture of private and local or central government experience is the ideal; but civil service pay scales do not attract many worthwhile applications from the private sector. Although a large number of applications is always received to each advertisement, there is a shortage of suitable candidates which has persisted into the 1990s. This is perhaps now partly due to the unwillingness of local planning authority staff to move jobs in an

Figure 4.2 - STAFFING IN THE PLANNING INSPECTORATE



uncertain recruitment market following a recession, and perhaps because there is a finite number of suitable staff within the 26,000 or so planning officers employed in local government.

The Planning Inspectorate anticipated the service-wide introduction of market testing by several years. Contract Inspectors, paid a retaining fee and contracted to work at least 36 weeks a year, were introduced in the 1980s to help with a rapid increase in workload at a time when the recruitment of full time staff was restricted in the civil service. Figure 4.2 shows how the staffing of the Planning Inspectorate has changed after 1980; until Agency status, fluctuations in the number of administrative staff were almost entirely related to the numbers of cases being processed.

When the number of appeals escalated in the late 1980s, retired Inspectors also assisted by working part time, and consultant Inspectors were also employed when those of a sufficient standard could be found. They have been used on the more straightforward casework to give more flexible resources to meeting fluctuating needs.

Salaried Inspectors are usually recruited into the main Inspector grade; promotion to senior Planning Inspector for able staff should come within 2 to 4 years. From initial entry and training, the most successful Inspectors normally take between 5 and 10 years to reach the grade of Principal Planning Inspector, when they regularly take major inquiries and become a line manager for others.

Since it takes at least 2 years to train a new Inspector to be able to deal with the majority of straightforward cases, it will be appreciated how difficult it has been to cope with dramatic fluctuations in the workload in the short term solely by recruitment, especially when there have been restrictions placed on this.

Internal studies and reviews

Long before the Next Steps Initiative was introduced, the Planning Inspectorate was subject to a series of examinations of its procedures, almost entirely conducted from outside the organisation, with the priorities being very different from those to which Agencies are now subject. Thus the form in which the planning appeal and inquiry service was delivered to its "customers" (as they have since been described in the Citizen's Charter) - appellants, their advisers, local planning authorities and the public - was given much less attention than civil service administrative procedures.

In 1986, Sir George Moseley, recently retired Permanent Secretary to the Department of the Environment, looked at the management of the Inspectorate, and remarked in his report (September 1986) that, with 3 reviews between 1980 and 1983, and 9 between 1984 and 1987 -

"the Inspectorate must be one of the most intensively reviewed and inspected areas in the Department (of the Environment)".

A short history of these investigations, the majority of which were not carried out by the Planning Inspectorate's staff, gives a flavour

of the constant emphasis on administrative procedures, the repetitive nature of some of the findings, and the frequent absence of the needs of the customers outside the civil service being perceived as important.

An early review, in March 1971, by Sir Wilfred Morton, was appointed to review the work of

"those Inspectorates now serving the Department of the Environment whose primary duties are to hold inquiries and hearings under various statutory powers, to include the organisation, qualifications, conditions of service and duties of Inspectors".

During the early 1970s a sharp rise occurred in the number of planning appeals. So, in 1973, Mr George Dobry QC was appointed to review the system of development control in the light of this increase, and the consequent delays to the planning control process. His final report was published in February 1975, with a host of recommendations to improve procedures in local planning authorities and the clarification of policies by Government.

The report recorded the considerable public confidence in the Inspectorate and the appeal process as a whole. Mr Dobry said that the Inspector should play a more active role in inquiries, restricting repetition and discussion of irrelevant topics, an approach which has been commended to the Inspectorate much more recently in discussions with the Planning Bar in 1994.

He recommended a two level system, with simpler appeals and those conforming to local policy being decided on the basis of limited documentation and by an informal procedure without legal representation. Mr Dobry said that the use of written representations should be encouraged, and take place within a strict timetable. Various procedures to improve the information available before the inquiry were recommended, and the possibility of holding sessions of inquiries recommended for investigation.

These types of recommendations were not always accepted by Ministers, and thus it was here. The Government's response was set out in Circular 113/75. The recommendations for two types of appeal case classification were not accepted, but stricter timetables were supported in part. Improved procedures for handling the administration of appeals were agreed, as was the possibility of awarding costs more frequently where the conduct of one of the parties justified this. However, the Government's view was that sessions of inquiries had mixed results, and were unlikely to be suitable for widespread use.

By 1980, about 70% of planning decisions were being transferred to Inspectors. In November of that year, consultants were appointed to examine the processes by which appeal case work was received and dealt with; to seek ways in which, within statutory constraints and consistent with the principles of natural justice and the need to have regard to economy and the use of resources, the time taken to clear individual cases could be reduced and/or throughput could be increased (Arthur Andersen & Co, 1981).

The recommendations made were not fundamental, and some were familiar in the context of the recurring examinations of the Planning Inspectorate's activities. The consultants suggested positive encouragement to local planning authorities to improve their methods of handling appeals; some reorganisation of the Inspectorate and changes in working methods, improved management information; and a new 'express' form of written representations. In-house working parties were set up to investigate and, where appropriate, implement these matters.

In the context of the transfer of an increasing number of appeals to Inspectors, and the strong Ministerial accountability and interest in the planning appeal process, it was decided to commission a internal Department of the Environment study on the structure of the Planning Inspectorate. Mr Smith looked at the structure of the organisation, the distribution of management functions and staff deployment, to consider whether the structure was appropriate or efficient, and to consider feasible alternatives (November 1981).

The main general weaknesses in the organisation identified were familiar - the waste and delays from the very variable workloads, and the need to make adjustments to cope with this, including some to the professional hierarchy and the supporting functions. However, Mr Smith summarised his report by saying that the Planning Inspectorate had a flexibly used professional workforce, maintaining high standards in professional and in administrative work, the organisation was held in high public regard, and had coped well with a considerable increase in casework.

Another familiar theme in the report was the reference to the considerable difficulties in forecasting the future workload, and the need for the organisation to be able to respond to peaks and troughs in the context of annual fixed staff limits.

Mr Smith also saw problems in a lack of a professional management hierarchy because of the independence of Inspectors, which seemed to him to be an unfamiliar situation for a mainstream civil servant.

The next in the series of studies of the Planning Inspectorate began in the winter of 1984/5. A Staff Inspection team from the Department of the Environment were dispatched into the Planning Inspectorate, to look at the need for the work done, the organisation, the grading and the loading of posts.

The subsequent draft report took the view that some administrative posts should be surrendered, the reading of Inspectors' work should be reduced, the grading of the group heads should be downgraded from Assistant Chief Planning Inspector to Principal Planning Inspector, and the easiest appeals should be decided by unqualified staff in regional offices.

The Staff Inspection Report was not well received by either the professional staff or administrators in the Planning Inspectorate, and met with a robust response from all the unions representing them. In particular, the Inspectors said that their range of work was increasingly wide and complex, their decisions and recommendations affected individuals in all walks of life and organisations in every

sector of the national economy, and the casework was subject to the active supervision of the Courts and public bodies. The Inspectors suggested that the organisation should consider extending its role into other forms of environmental dispute, where its expertise and reputation would be of value (IPMS, 1995). It took 10 years for management to pursue this idea (Chapter 6).

It was pointed out that the Staff Inspectors had not consulted any of the Planning Inspectorate's "customers" (appellants, local planning authorities and professional advisers), and this discredited the whole approach of the report. The Planning Inspectorate was also aware of the caution with which local authority associations and other interested groups had approached the possibility of employing part-time Inspectors even for local plan work, and their preference for full-time professional Inspectors (IPCS Response to the Staff Inspection Report, 1985). Little more was heard about the Staff Inspection proposals.

The series of internal reviews of the Planning Inspectorate continued, as the Department of the Environment decided that the pressures of casework on the organisation in the late 1980s made the Planning Inspectorate a candidate for investigation by the Rayner Scrutinies being used throughout the civil service.

Two of these (Wakeford and Heywood, 1985; and Ash and Heywood, 1986) looked at written representations' appeals and inquiries' appeals respectively. These reviews were mainly concerned with a bureaucratic focus, reducing administrative delays by streamlining

procedures, proposing minor amendments to legislation, setting timetables for the appeal process, and improving links with the parties interested in the appeals. Target times were introduced for handling casework, and other measures which together anticipated the Citizens' Charter some years later.

For the Planning Inspectorate, the nearer that the targets of 11 weeks for written representations' cases and 17 weeks for inquiries are approached, the higher are the unit costs of having sufficient "slack" in resources to cope with unexpected eventualities and keep to the timetables. Having no queues means less efficient programming of Inspector resources, and more travel and subsistence to reach isolated sites. Therefore, in practice, the targets have been 12 to 18 weeks for written representations, and 22 to 30 weeks for inquiries.

Sir George Moseley's own investigation into the management of the Planning Inspectorate in 1986 (mentioned at the beginning of this section) supported the Inspectors' suggestion that field based Principal Planning Inspectors should assist with management.

Customer surveys

In all these internal reviews, we have seen that little attention was paid to the customers of the appeal process outside the civil service; the emphasis of the Next Steps Initiative on this and the introduction of the Citizens' Charter seems a long distant prospect.

However, three customer surveys were undertaken in 1981 by the Department of the Environment to ascertain the views of local planning authorities, volume appellants and their Agents on the Inspectorate's activities. They generally favoured the established procedures and the maintenance of professional standards. The authorities supported the transfer of more cases to Inspectors for decision and the streamlining of procedures. The outcome was incorporated into a new Circular and the handbook for prospective appellants.

The only other customer survey done before the Next Steps Initiative was introduced was in 1984, when Oxford Polytechnic assessed the needs and preferences of individuals using the planning appeal process, following on the 1981 studies of larger appeal users. This survey report indicated a good level of satisfaction, but a preference to "be heard", although many appellants chose the written representations' procedure as being cheaper and quicker.

Accountability

The planning appeal system enables the Secretary of State to exercise control over the actions of local planning authorities in a manner acceptable to the public at large.

"The quintessential skill of the senior civil servant involves being able to draft a letter or ministerial speech which means five different things to five different people"

(Anon).

It would be difficult to find a statement more contrary to the role of an Inspector in writing a decision letter or report, so as to demonstrate the "openness, fairness and impartiality" mentioned in the Franks Report in 1957.

As we have seen, the Planning Inspectorate has been organised so as to demonstrate these precepts in operation, and the Inspectors deciding appeals or reporting to the Secretary of State working independently from home. Supervision of their output by office and field based managers is directed to ensuring that the work produced is of high quality, soundly based on the relevant policies and easy for the recipients to understand. Administrative staff in Bristol support these fundamental aims.

The Inspector holding an inquiry is an investigator as well as a judge on behalf of the Secretary of State, considering the evidence presented in the light of his or her training and experience, and whether there is sufficient evidence for a sound decision to be made in the wider public interest.

The Inspectors have historically seen themselves as being accountable in two directions:

to appellants, local planning authorities and interested third parties in making open, fair and impartial decisions,

and to Ministers in operating within the national and local policies.

The descriptions of the Inspectors' role earlier in this chapter will have made it clear that managerial accountability in the Planning Inspectorate has had a more limited meaning than in other parts of the civil service, where the "second tier" of managers are fully involved in managing their specialist areas. The professional managers in the Planning Inspectorate have therefore acted as liaison officers between the policy divisions formulating planning policies and the Inspectors who have implemented them through the outcome of appeals.

The political accountability of the Planning Inspectorate had originally been directly (via the Permanent Secretary) to the Secretary of State of the Department of the Environment, to preserve the Inspectors' independent status. That was changed in the mid 1980s to access via a Deputy Secretary to the Permanent Secretary, and thence to the Secretary of State. Concern within the Inspectorate that this might taint the impartiality of the Inspectors' quasi-judicial role was mitigated by the Deputy Secretary concerned not being responsible to the Minister for government planning policies.

The then Chief Planning Inspector appeared in 1986 before a Parliamentary Select Committee to explain the way in which the appeal process was operating at that time (The Environment Committee (1986);

Planning Appeals, Call-In and Major Public Inquiries, HC 181 (London: HMSO).

This independent status of Inspectors has contrasted with the role of the 370 administrative staff in the Planning Inspectorate, who have been organised in the normal civil service hierarchy of grades which were referred to in Chapter 2. They have adhered to established and interdependent patterns of civil service organisation and responsibility, and they see their main loyalty as being to the Minister they serve - the Secretary of State for the Environment.

The accruals accounting system

The funds for the Planning Inspectorate before Agency status came via the Department of the Environment vote from the House of Commons, with funds voted on an annual basis, and not able to be used in the succeeding year. Amounts tended to be based on those allocated in the previous year, rather than being related to the volatile workloads.

Summary

In many ways, the organisation of the Planning Inspectorate demonstrated, before Agency status, some of the practices and patterns of responsibility which were to be favoured by the Next Steps Initiative, the Citizens' Charter and market testing.

In particular, the role of the Inspectors had evolved from the normal and hierarchical civil service pattern to one of identified and individual responsibility for their actions, with the system accepting that the exercise of professional discretion was an essential part of the system. In the course of these developments, new procedures had been successfully been tried, initially on an informal basis with the agreement of the parties, before confirming their use by statutory powers.

The outcome of their work had become available for public scrutiny, and the reasons for their decisions made available to those who use the appeal system, and interested third parties, in accordance with the parameters of openness, fairness and impartiality laid down by the Franks' Committee; the emphasis on openness contrasted with the procedures within the parent Department, which continued on the normal civil service pattern.

The nature of the Inspectors' role had also led to a separation between the policy and executive functions within the Department of the Environment in respect of the work done by Inspectors, and to the introduction of target time limits, procedural rules and a choice of methods to suit the needs of the customers and the variable character of the workload.

Because of the independence necessary for the Inspectors carrying out field duties, the professional managers in the Inspectorate had limited line management duties, acting as the source of policy information, training and career development. Inspectors saw

themselves as being accountable in two directions: to the Secretary of State and to the parties interested in the outcome of their work. By contrast, the administrative staff in the organisation had continued to operate much as their equivalents in other parts of the Department.

Some progress had been made with performance indicators, despite the absence of an effective IT systems, and the use of "customer" surveys to examine areas where change might be needed. The actions of the organisation had been supervised from outside the civil service and the Department by the Council on Tribunals, as well as by the Ombudsman. Thus the intentions of the Citizens' Charter had, to some extent, been anticipated.

The importance of the processes in political terms had been confirmed by the series of internal and other studies and reviews carried over the years in order to speed the process and, in some cases, ensured that the organisation conformed to patterns in the Department and elsewhere in the civil service in terms of staffing and financial restrictions. These reviews were rarely concerned to involve the public or the interests of the "customers" of the Inspectorate.

The difficulties of providing adequate staff resources and trying to run an organisation with significant fluctuations in its workload within these restrictions and the civil service accounting system are clear. These had, in part, led to the use of contract staff several years before the introduction of market testing elsewhere in the civil service.

Having completed this overview of the organisation before the Next Steps Initiative was introduced, we shall look in the next Chapter at the process of moving on to Agency status.

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CHAPTER 5 - THE PLANNING INSPECTORATE AND THE MOVE TO AGENCY STATUS

We saw in the last Chapter that the Planning Inspectors in their modern role of deciding appeals and holding other types of public inquiry were in some ways anticipating the Next Steps Initiative, in having a different approach to civil service operations.

In this Chapter, we move on to examine the processes needed for the transition to Agency status, and those matters which were thought to justify the most attention.

As we saw in Chapter 1, the Next Steps Initiative has been introduced in the civil service as a whole. The Project Team in the Cabinet Office having been established, each Department was asked to consider which parts of its executive activities could be candidates for the new form of organisation.

It is reasonable to assume that the various Departments looked first to those parts of their operations which already had some degree of autonomy in their operations, since such organisations would need less detailed attention in order to become an Agency under the new arrangements. In the Department of the Environment, the Building Research Establishment (BRE) and the Royal Palaces were early candidates for the new programme.

The BRE was already a semi-separate part of the Department, providing guidance and carrying out research on the design and performance of buildings, their materials and on the prevention and control of fire. BRE already did some work for the private sector, and was involved in international programmes. It was selected as a candidate for Agency, reaching that status in April 1990.

In the case of the Royal Palaces, this had been the centre of a complex web of interests. Several government Departments and other organisations in addition to the Department of the Environment were involved in the running of the Palaces, and they agreed that the "Historic Royal Palaces" should be launched as an Agency in October 1989 (see Chapter 9).

On the face of it, the Planning Inspectorate was also a prime candidate for Agency status. As we saw in the previous Chapter, the Inspectors exercised independent judgement in much of the work carried out by the organisation, and it therefore seemed to be an obvious candidate for the Next Steps Initiative process.

The reasons for and against Agency status

However, it appears from the approach of some civil servants (such as the Staff Inspection referred to in the last Chapter) that the Planning Inspectorate's methods of working were seen as causing some concern to those unfamiliar with them, and considered as conflicting with the traditional approach used in the civil service and the rest of the Department of the Environment.

It had become accepted over the years by those in the planning policy division that some "separation of powers" from the civil servants dealing with policy making was necessary to retain public confidence in the independence of the Inspectors. However, on administrative matters, the Planning Inspectorate had retained the patterns used by other parts of the Department (Chapter 4).

As in other parts of the civil service (Trosa Report, 1994), some senior managers in the Department of the Environment in the late 1980s were not seen by the Project Team as being very comfortable with the introduction of the Next Steps Initiative.

Stephen Crow had become the Chief Planning Inspector in September 1988 under the system for internal civil service appointments which had been used since the Inspectorate had become part of the Department. His appointment almost coincided with the establishment of the first Agency under the Next Steps Initiative.

The new Chief Planning Inspector did consider that Agency status would bring advantages to the Inspectorate which were not likely to be available if the organisation remained more closely associated with the central core of the Department. He saw these advantages as including additional emphasis on the independence of the Inspectors as seen by the Planning Inspectorate's "customers" in the professional, commercial and local government spheres outside the civil service.

The various reviews of the Planning Inspectorate's operations in the 1980s which were summarised in the previous Chapter had brought some practical benefits but, in some instances, had confirmed the problems of deciding at a distance on the sensible priorities for an organisation with a variable and demand led workload and considerable and constant exposure to the public

It would be fair to say that there were differing views within the Inspectorate's administrative and professional management over the Chief Planning Inspector's enthusiasm for moving to Agency status (and the subsequent costs). Other managers were aware, at least in principle, of the amount of preparatory work that would be needed to reach Agency status, including deciding how the supply of Inspectors to deal with cases in Wales was to be handled. It was not so clear to them that the advantages gained by a change in the pattern of the relationship with the Department would be very radical or beneficial in practice.

The Inspectorate was already accommodated in a building shared with other regional functions of the Department; a building over which it had only very limited control. The Planning Inspectorate had (and has) a very limited income from outside organisations, so that most of the funding for the new Agency would continue to come from the Department. It relied on central staff in London for personnel support, financial accounts and advice. Agency status would require, sooner or later, that all these matters should be dealt with "in-house". Functions such as legal services, library support, stationery supplies and other centrally supplied services would have

to be reviewed. All in all, change to a new order in these circumstances seemed to offer little improvement, and many difficulties.

However, there were pressures for each Department to bring forward candidates for the Next Steps Initiative. The Department agreed with the Chief Planning Inspector that the organisation should be a candidate for Agency status, and this was announced in December 1988.

The Chief Inspector's Annual Report for the year 1988/89 stated (page 1) -

"In the event of the Inspectorate becoming an Agency, the role of the individual Inspector would be fundamentally unchanged, and the same high standard of decision making would still be demanded. But Agency status would give managers more responsibility and greater freedom to manage the resources of the Inspectorate efficiently. Although a good deal of groundwork has already been done towards the establishment of the Agency, it is unlikely to come into operation before the end of 1990."

Practical arrangements

It is always easier not to be the first in any enterprise, and by the time the Planning Inspectorate came forward to enter the Next Steps Initiative process, other Agencies had already been dealt with and launched on their new role. The account of the Planning

Inspectorate's progress therefore reads less as a pioneering change than as an organisation able to gain benefits from the efforts of those ahead of it in the process.

Thus, to take the planning for reaching the new status of the organisation forward, a civil servant transferred from a similar role in the Vehicle Inspectorate, which had already become an Agency, to act as the Planning Inspectorate's liaison officer with the Department, the Next Steps Team and the Treasury. An Agency steering group was set up, with senior managers in the Planning Inspectorate and the Department represented.

The Planning Inspectorate's managers dealing with the Agency process took care to consult regularly and fully with the Project Team in the OMCS (Office of the Minister of the Civil Service) steering the Next Steps Initiative, and with the Department of the Environment.

As we saw in Chapter 1, the framework document is the written "contract" between the new Agency and the relevant parent Department. The process of drafting the framework documents prepared for other Agencies had established patterns being used for all similar documents. This undoubtedly assisted the staff in negotiating the content of the framework document for the Inspectorate.

This went through nearly 20 drafts; the structure for the document followed the layout used for other Agencies. Thus, the substance of the discussions between the Department of the Environment, the Treasury and the Planning Inspectorate concentrated on the precise

Figure 5.1 - The Planning Inspectorate Framework Document

Headings

Status

Functions, duties and objectives

Organisation and management

Financial planning and control

Personnel management

Framework document - review and publication

Annexes

- A. Main duties performed on behalf of the Secretary of State
- B. Memorandum on the instruction and appointment of Inspectors
- C. Administrative functions carried out on behalf of the Secretary of State
- D. Main financial and contractual delegations to the Chief Planning Inspector
- E. Main performance measures
- F. Services provided to the Agency by DOE/Welsh Office
- G. Services provided to the Agency by the Lord Chancellor's Department

Annex E - Main performance measures

Timeliness	The time taken to decide planning and enforcement appeals
Financial	Unit costs and other measures which highlight the financial performance of the Agency
Efficiency	Appropriate measures to demonstrate overall efficiency savings of at least 2% a year
Quality	The number of cases lost in the High Court and the number of justified complaints received. Other external measures will be developed as appropriate
Volume	The volume of decisions issued on planning and enforcement appeals
Information and guidance	The adequacy, clarity and availability of information and guidance for all who come into contact with the appeals system

form of the wording to be used, rather than on matters of principle. Indeed, the process seems to have been more remarkable for the problems which were not encountered than for those that were. Most notable was the heavy reliance on committees for discussion, familiar to and normal for those who work in the civil service.

The headings and annexes used in the final framework document are shown in Figure 5.1; the full document ran to 22 pages. Annex B - the memorandum on the instruction and appointment of Inspectors - said that each Inspector in exercising the duty of making a recommendation (to the Secretary of State) or determining an appeal is technically a tribunal, each must exercise an independent judgement, and they must not be subject to any improper influence. In this, the memorandum echoed the view, set out in the Justice/All Souls Report (1988) on Administrative Justice (Chapter 4), that the transfer of decisions to Inspectors had changed the nature of their role, and converted the inquiry into a tribunal hearing.

In general, the Planning Inspectorate found that agreement with the Next Steps team and the Treasury was more a matter of working steadily through all these matters which had to be resolved, rather than encountering any serious conflicts. In both cases, the staff concerned were dealing with the creation of other Agencies at the same time, and the Project Team had already completed negotiations on 34 other Agencies already launched. The Planning Inspectorate was therefore far from being a novelty to the Next Steps Initiative's team or to the Treasury.

The senior staff in the Department of the Environment were, initially at least, much more pessimistic about the negotiations than the managers in the Planning Inspectorate. They suggested to the Planning Inspectorate that problems might be encountered with the Treasury over detailed arrangements and negotiations on financial and other matters for the proposed organisation, as this seemed to be the experience of the Departmental staff.

However, although much time was spent on discussion about the best pattern for management organisation and the other procedural changes needed, good progress was made (Minutes of the Agency Steering Group, 1989 to 1992). The Planning Inspectorate found in practice that the Treasury staff were co-operative as long as sufficient information was available to them.

Performance indicators

We saw in Chapter 1 that the creation of the new Agencies was intended to be the beginning of a process of continuous development. One means of assessing this is the publication and monitoring of performance indicators. The areas to which these were to apply were, as we have seen, initially set out in the framework documents. Again, the Planning Inspectorate was a forerunner in this process (Chapter 4) in that target handling times had been included in the Rayner Reviews in the middle 1980s (Wakeford/Heywood 1985 and Ash/Heywood 1986).

The matters to be addressed in the main performance measures for the Planning Inspectorate Agency were set out in general terms in Annex E to the Framework Document (see Figure 5.1). These performance indicators were later developed into the more specific targets in the Business Plan, and the requirements reviewed by the Treasury and the Department on an annual basis (see Chapter 7 and Figure 7.1).

Charging for planning appeals

Another issue arose during the process leading up to the creation of the new Agency - the possibility of charging users of the planning system for making appeals to the Secretary of State. The idea was based, at least in part, on the Report of the Committee of the Justice/All Souls Review of Administrative Law in the United Kingdom (1988).

It may be that the fact that this possibility was being considered would not have been known outside the civil service if it had been dealt with several years earlier. However, interest had developed over the years in the Planning Inspectorate's operations by various groups outside government (Chapter 4), and the practice had evolved of consulting the potential customers of the organisation about significant changes. In this, the practice anticipated the Prior Options Reviews (Chapters 1, 8 and 9).

Thus the government considered including powers in planning legislation (then in draft) to allow the Planning Inspectorate to charge appellants for processing and determining planning appeals.

This intention was set out in a Department of the Environment consultation paper "Efficient Planning" published in July 1989.

Raising money for existing government services is always going to be a contentious issue, and this had been the case when local planning authorities had been directed to charge for processing planning applications some years earlier.

Charging for the most common types of appeal could be seen as a logical extension of what local planning authorities had been required to do for some time. It was considered that charging could deter frivolous and sometimes repetitive appeals. It would also transfer the cost of the procedures to those "customers" who might hope to benefit from them by obtaining a planning permission with value either to the individual or in the "marketplace", or both.

However, the Council on Tribunals (which is consulted on procedural changes in the Planning Inspectorate) felt that charging would effectively exclude the right to appeal from those aggrieved applicants with a sound case but limited financial means. A range of associated appeals, including listed building and Conservation Area consents, and enforcement appeals (where granting planning permission is an option), were other areas of the Planning Inspectorate's work where similar issues would have arisen.

Thus the "Franks principles" of openness, fairness and impartiality established in 1958 (Chapter 2) were recognised as being a significant and perhaps overriding consideration in the way in which

income might be gained for the prospective Agency over 40 years later.

Charging fees for planning (and other) appeals would have provided an income for a significant part of the workload of the new Agency. From the Planning Inspectorate's point of view, charging would have provided a more independent income, even if the level of charges would have had to be agreed with the Department of the Environment. It would also have probably led to regular reviews of whether customers were getting value for their money. However, apart from the principles involved, one of the aspects which fell to be considered was the way in which charging would operate.

Charges which reflected the scale of the development involved would probably have been only a marginal extra cost for major commercial organisations already expending considerable sums on the planning process in order to progress their development programme. Realistic charging for larger cases would have kept down the costs for appellants seeking to build domestic extensions and limited housing developments.

However, too much dependence on proposals for major developments as a source of income for the Planning Inspectorate would provide too uncertain a basis for financing the new Agency, particularly in view of the fluctuations in the strength of the economy and their likely effect on the number of planning appeals. The majority of the appeal caseload is always made up of smaller appeals resulting from activity

in the housing market (Planning Inspectorate, 1994), and they are not proportionately cheaper to process than larger cases.

These practical considerations seem to be very little different from those which would have been taken into account by a commercial company, and perhaps show that the intentions of the Next Steps Initiative in leading to a more "private sector" approach were working.

Also, the implication might also be that costs in inquiries and hearings, at present borne by each side unless they have behaved unreasonably, might be awarded "following the event" as in court proceedings. The possibility of having to pay considerable costs incurred by the other parties when appeals were lost might well deter local planning authorities from refusing planning permission, or appellants from going to appeal, neither of which would be viewed as being in the public interest.

The decision was taken in the autumn of 1990 not to introduce charges for appeals, just before Nicholas Ridley was replaced by Michael Heseltine as Secretary of State for the Environment. The main reason seems to have been the reluctance of the government to introduce fees that would impact on the majority of appeal proposals, which are made by householders and small businesses.

Thus a mixture of ethical and practical considerations delayed the preparations for Agency status, and the late timing of this decision postponed the launch date to 1992.

The plans for the new Agency proceeded on the basis that its "external" income would only arise from local planning authorities and the Department of Transport when they needed inquiries into orders or objections to Local Plans, or when other authorities made proposals needing an inquiry. These fees are not paid directly to the Planning Inspectorate, but go to the Department of the Environment - one aspect in which the authority of the Chief Executive Officer is limited (Chapter 7).

Proposed structure of the organisation

In Chapter 2, the traditional and hierarchical pattern of the civil service was mentioned, and in the last Chapter we saw that the management of Inspectors necessarily deviated from this because of the independent roles of the professional staff in the Planning Inspectorate. This contrasted with the pattern of the administrative staff, who were managed in the manner familiar to civil servants.

Within the Planning Inspectorate, a major pre-occupation during the period leading up to Agency status was the future structure to be adopted for the professional and administrative staff in the organisation. The Lord Chancellor's Panel of independent Inspectors, Inspectors doing work in Wales, and the Inspectors dealing with enforcement appeals were already, or were planned to be, in "through groups" of consisting of both administrators and Inspectors managed by an Assistant Chief Planning Inspector. This pattern was suggested

by the Chief Planning Inspector for other groups of Inspectors doing more general casework.

However, the advantages of having all the staff dealing with a particular specialist area of work in the Planning Inspectorate, and thereby allocating those financial costs separately to the Agency's accounts, were not so clear cut for general professional groups in the Inspectorate, since Inspectors can be deployed on many different types of cases. There were reservations amongst the administrators about the inflexibility which could result by not easily being able to switch staff between different types of casework according to the demands at a particular time.

Regional groupings for Inspectors and associated administrators were considered, assessed and rejected on the grounds of increased costs. The ultimate decision was to continue, as before, with the administrative branch dealing with the procedural aspects of the general appeal casework, and the dispatch of decisions to appellants; to retain a separate chart room with administrators allocating work to Inspectors under professional supervision; and to maintain a central quality control unit rather than revert to groups of administrators supporting individual group heads (although the latter pattern has since been reversed).

All this discussion consumed a considerable amount of management time in the Planning Inspectorate over a period of 2 or 3 years. The costs of the lengthy discussion period have not been quantified, but were clearly considerable. Those involved at the time are still

doubtful that the benefits gained from Agency status so far are very obvious as far as the Inspectorate staff are concerned.

However, these views are held in the context that service-wide constraints on pay, travel and subsistence, financial freedoms and so on were being applied across the civil service by the Treasury at the same time as the Agencies were being introduced, and show the difficulties of separating out the effect of the Next Steps Initiative from other government initiatives such as the Citizens' Charter and market testing.

The Inspectorate in Wales

Historically, the appeal cases in Wales had been dealt with by a separate group of Inspectors managed from within the main Inspectorate, with administrative support based in Cardiff, thus giving some autonomy to the civil service in the Principality. This unusual pattern had worked well enough, although with primitive financial arrangements. A consequence of Agency status had to be a more clear cut situation.

The quantity of mainstream appeals in Wales is approximately 5% of that in England. Management and Ministers had to resolve the position of the Inspectors and supporting staff working in Wales in the new Agency. With two Secretaries of State involved, for the Environment and for Wales, and no precedent for an Agency working in that way, there was much discussion about the best way to proceed. One option considered was for a separate Inspectorate for Wales, with

a Chief Inspector taking major inquiries and managing the organisation, as in Scotland.

Ministers finally agreed in late 1991 that the Secretary of State for the Environment should take the lead in dealing with appeals, providing services to Wales, with the supporting staff retained in Cardiff under an Assistant Chief Inspector who would be based there part of the time.

The late decision for the Planning Inspectorate to have a joint responsibility to the Secretary of State for Wales and the Secretary of State for the Environment could have been a potential source of considerable difficulty, one complication being that the Inspectors working in Wales are employed by the Department of the Environment and their administrative staff by the Welsh Office.

In practice, due to the personalities involved, the limited time available after the decision that the Agency should be under both the Secretary of State for the Environment and the Welsh Office Minister was well used. Since the Agency was set up, the Department of the Environment has taken the lead in policy matters, and the Planning Inspectorate in practical considerations, consulting the Welsh Office to discuss their ideas and obtain their agreement when necessary.

Agency status

The necessary changes were made at short notice to the latest version of the framework document to reflect the agreed pattern, with the agreed date for Agency fast approaching.

In the autumn of 1991, the post of Chief Executive Officer was advertised and a "head hunting" exercise initiated. After a series of interviews, the incumbent Chief Planning Inspector, Stephen Crow, was appointed to the joint position of Chief Executive and Chief Planning Inspector for the new Agency until his retirement in September 1994. The Planning Inspectorate finally reached Agency status in April 1992, marked by a brief formal launch party in Brunel's Engine Shed at Temple Meads in Bristol.

The framework document for the Agency refers (paragraph 3.5) to the preparation of the Corporate Plan, the Business Plan and the Annual Report and Accounts. The Corporate Plan sets out the Agency's responsibilities and strategic aims for the next 3 years with particularly emphasis on the forthcoming Public Expenditure Survey (PES) period. It complements the Business Plan, which focuses specifically on the tasks and targets for the financial year ahead, including the performance indicators. The Annual Report and Accounts sets out the Inspectorate's performance in the previous financial year, and is the principal vehicle for reporting on the performance of the Agency against the targets for that year. Together, the three documents are intended to provide a comprehensive statement of the Inspectorate's plans and performance in handling all the types of

business for which it has responsibility under the framework document.

Following on the creation of the Agency, a new Management Board was formed in the Inspectorate with 5 members, assisted by a business adviser. The main concerns of the Board have been preparation of the annual Corporate and Business Plans; manpower planning; the fluctuating workload; the information technology project; customer surveys; pay and grading, market testing and other service-wide Treasury requirements; performance indicators, quality and other targets; and auditing and monitoring.

The relationship with the Department of the Environment

With so many Departments involved in the Next Steps Initiative, their success in relationships with their new Agencies is not likely to be identical. The nature of the relationship between the 2 organisations must have a significant effect on how well the Agency prospers, and how well it can improve its performance without interference.

In this context, how the Department supervises the Agency, how positive an approach it takes to practical arrangements, and how effectively the parent Department is able to "stand back" from overseeing details within the new organisation, are all relevant.

In 1992, the Planning Inspectorate became one of the 6 Agencies for which the Secretary of State for the Department of the Environment is now responsible:

BRE (The Building Research Establishment)

Ordnance Survey (which is also a government Department)

Planning Inspectorate (also reporting to the Secretary of State for Wales)

Queen Elizabeth Conference Centre

Security Facilities Executive

Buying Agency

For all its Agencies, the Department of the Environment appraises forward plans, and negotiates the annual service agreement; gives independent advice to the Secretaries of State on targets and resources; monitors performance and workload against targets; is consulted on the annual report and accounts; consults the Agency as one of the organisations which can inform policy and system inputs; and advises on changes to the framework document.

Once the Agency was established, the Planning Inspectorate found that it was able to take more of the initiative than had been anticipated in the matters to be included in the Corporate Plan and Business

Plan, with both the planning and finance divisions of the Department of the Environment taking a hands-off approach.

Whereas the Department of Transport, for instance, has a Board overseeing the activities of the Vehicle Inspectorate (National Audit Office, 1992), the Department of the Environment uses a Deputy Secretary as a "Sponsor" for the Planning Inspectorate, and this arrangement seems to be more effective and less cumbersome (but see the recommendations of the Trosa Report in Chapter 8).

The delegation of responsibilities

Some responsibilities for Inspectors' personnel matters had already been handed over in the autumn of 1991. In the year beginning in April 1992, the Department of the Environment delegated more responsibilities to their Agencies, perhaps resulting from the service wide push towards market testing being supported by William Waldegrave, the Minister then assigned to the control and continuing promotion of the Next Steps process and the Citizens' Charter.

The arrangements for managing Department of the Environment and Department of Transport staff together in the Bristol area also came to an end as the result of a decision by the Department of Transport that they no longer wanted to be part of a joint arrangement.

So the Planning Inspectorate took over the control of personnel matters for most administrative grades in April 1993. This required the transfer of staff to this function, and was felt by some of the

administrators concerned to reduce their opportunities for job progression elsewhere. Responsibility for pay and grading is due to be transferred in April 1996.

Information technology

As we saw in Chapter 4, the very limited use of IT before Agency status prevented detailed assessment of how the organisation was performing in terms of the speed with which cases were being dealt with, and the costs of doing so.

In 1991, the Department of the Environment agreed that detailed analysis work could be started on IT systems to store and maintain information about the Planning Inspectorate and other aspects of the organisation. These included budget centres; storing and maintaining information about the Planning Inspectorate's staff; extensive support for case registration, processing and information; finance related aspects of casework and information about cases, to replace much of the interim systems; and replacing the interim financial system with the use of data from the case system.

Further projects were considered for business planning support - to provide assistance for strategic business analysis; Inspector IT communications with the headquarters at Tollgate House; and a replacement for the planning case database.

After initial difficulties, an outside consultant was brought in to manage the project in the autumn of 1992, with the intention of

getting the basic data-passing functions for the processing of case files ready by the spring of 1994, with a similar time-scale for address and information databases for Inspectors, local planning authorities and other sources to be linked in due course with the data information.

To date, only part of these functions have been transferred to an up-to-date IT system. This situation contrasts strongly with the extensive use of IT by other Agencies, including others dealing with intellectual property (Chapter 9). It is particularly disappointing in view of the extensive use of IT in local authorities for similar purposes, as we shall see in Chapter 7.

We now turn, first, to the accountability in the Agency in Chapter 6, and then (in Chapter 7) to the ways in which the operations of the Agency can be measured and controlled, including the accounting system, performance indicators and relationships with the Department of the Environment.

Summary

The Inspectorate was able to benefit from not being one of the first Agencies to be established, so that the discussions with the Department of the Environment, the Treasury and OMCS on the framework document and other matters related to details rather than to principles. The assessment of whether gaining Agency status has been an advantage cannot be conclusive because innovations such as market

testing and the Citizens' Charter which have some similar effects have been introduced during the same period.

The possibility of charging for appeals was discarded before the Inspectorate became an Agency in April 1992 because of the political implications for householder and small appeals, and the unpredictability which that would bring to the Agency's income.

The particular nature of the Inspectors' role is referred to in the framework document, as well as the need to preserve their independence from political influence and the traditional pattern of civil service organisation. However, consulting the public on the possibility of charging for appeals accords with the principles since introduced by the Citizens' Charter. Surveys have confirmed the public's confidence in Inspectors and their appreciation of the openness of the planning appeal process.

In the relationship with the Department of the Environment after April 1992, the Planning Inspectorate found that it needed to take more of the initiative than had been anticipated on the Business Plan and Corporate Plan.

The precedent of the targets introduced by the Inspectorate following the Rayner Scrutinies has continued through the reference to performance measures in the framework document and then to performance indicators. The autonomy of the Chief Executive Officer is affected by the absence of independently controlled income for the organisation.

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CHAPTER 6 - THE PLANNING INSPECTORATE: ACCOUNTABILITY

In this Chapter, accountability in the Planning Inspectorate Agency is considered in the context of the questions raised in Chapter 2. These recognise that many changes, such as market testing and Citizens' Charter, are now taking place in the civil service as a whole. Some innovations would probably have taken place in any case without the introduction of the Next Steps Initiative. In the Inspectorate, the additional factors which did not apply to most potential Agencies are the "openness, fairness and impartiality" required by the Franks' Report (Chapter 4), which have meant that for many years the organisation has already displayed more visible processes and individual accountability than most other parts of the civil service.

Since Agency status, the Chief Planning Inspector and Chief Executive Officer has been formally accountable for the running of the Agency through the Permanent Secretary of the sponsoring Department to the Secretary of State for the Environment, and thereby to Parliament. Within the Inspectorate, the professional and administrative staff are responsible to the Chief Planning Inspector for the day to day workings of the new organisation.

Since the previous arrangements for accountability within the Department had been made in order to preserve the independence of the

Inspectors' quasi-judicial role (Chapter 4), it is not surprising that Agency status did not alter that.

Thus rather than changes being made to the formal responsibilities assigned to the Planning Inspectorate, the structure and arrangements introduced for other Agencies have moved towards those already in place for the Inspectorate. In that sense, the pattern for the Planning Inspectorate has anticipated the Next Steps Initiative.

Parliamentary accountability

What did change for the Inspectorate (as for other new Agencies) after April 1992 was that the Chief Planning Inspector became directly responsible for dealing with the majority of outside queries, and questions to the Select Committees of the House of Commons. The central Department's staff and (via the Permanent Secretary) the Minister become involved only when issues with particular political implications arise.

Reactions to change by Members of Parliament are relevant here. One recently raised a question in the House of Commons querying why he had had a answer to his inquiry only from the Deputy Chief Inspector, rather than from the Permanent Secretary, or the Minister, implying that his concern was not being considered at a high enough level. The reply tactfully reminded him of the procedure laid down since the Next Steps Initiative Agencies were introduced.

In fact, the only real change was that the person who would have drafted the reply in the past was now being identified as the author of an answer to a non-political problem, rather than the reply being presented as emanating from the central Department of the Environment. This approach is being followed in all the Agencies, as we shall see in Chapter 8.

The Chief Planning Inspector still meets with Ministers from time to time, and with the Permanent Secretary as Accounting officer for the whole Department of the Environment, as his predecessors did before the Agency was created. In that sense, there has been no change.

Professional accountability

"The right of appeal against a planning determination by a local planning authority involves at one and the same time both post hoc and ex ante accountability. The local planning authority has to justify its decision after the event, while central government is exposed to detailed evidence and advice as to what decision it ought eventually to make."

(Purdue, page 3, 1991)

The administrators in the Agency continue to see their main loyalty as being to the Minister they serve - the Secretary of State for the Environment. The Inspector holding an inquiry continues to be an investigator as well as a judge on behalf of the Secretary of State, as we saw in Chapter 4 (Planning Inspectorate, 1994), accountable in

two directions: to appellants, local planning authorities and interested third parties in making open, fair and impartial decisions, and to Ministers in operating within the national and local policies.

The Inspectors' approach seems to accord more with the customer-friendly style sought by the Citizens' Charter, as well as the approach now being adopted by many other Agencies. In this sense, again, the Inspectorate in its practices may have been a forerunner for the Next Steps Initiative. The Inspectorate has not, so far, made any use of the many decision letters issued each year on appeals; private companies are marketing these to interested professionals. However, in the autumn of 1995 the first edition of a new quarterly "Planning Inspectorate Journal" is to be published. The advertisement for the Journal stated that the aim is to:

"inform the public about our internal organisation and the appeal process. This will comply with the principles of open government, encourage more efficient and effective participation in the appeal process and build on the Inspectorate's reputation for professionalism, integrity and efficiency."

The importance attached by an impartial outside observer to an open approach to the work carried out by Inspectors can be demonstrated by a very recent example. The Parliamentary Ombudsman produced a report in 1995 on those complaints which alleged that an application under The Code of Practice on Access to Government Information had been

unsuccessful. The Code obliges government Departments to let the public to have access to information (rather than to the documents in which that information is contained).

An Inspector held an inquiry into a road scheme in 1988, but the scheme was subsequently withdrawn and a new scheme was proposed, so central civil servants decided that the Inspector's report should not be published. Objectors to the second scheme sought publication of the report into the first scheme. This publication was refused by the central Department of the Environment. However, the Ombudsman held that the report should have been made available, since the terms of the Code did not exempt the Department from disclosing it (House of Commons, 1994).

Managerial accountability

We saw in Chapter 4 that the Planning Inspectorate prior to becoming an Agency had been subject to many reviews by the parent Department of the Environment.

Agency status would seem to imply that the responsibility for initiating reviews after April 1992 should be with the Chief Planning Inspector rather than the Department, with the consequence that he would be held accountability for the outcome and implementation.

Despite this, in 1992 there was another investigation of the Planning Inspectorate' management by the Department, this time by Ian Nicol of the central staff (Planning Inspectorate, 1992). He reviewed the

structure of the senior management below Chief Executive Officer level, and this review resulted in one of the Deputy Chief Planning Inspector posts being removed, and a reduction in the number of management groups of Inspectors.

This intervention seems to have been contrary to the spirit of the Next Steps Initiative. More in keeping with the new intentions of government would have been giving the Chief Executive Officer of the Planning Inspectorate the opportunity to arrange for an independent review, or one carried out by the Agency's own staff.

We saw in Chapter 4 that many innovations in procedure had first been introduced by the Inspectorate on a non-statutory basis, by the parties to an appeal agreeing to waive their legal rights in the interest of having an earlier decision and/or a customer-friendly procedure. It might be reasonable to anticipate that since the Agency was created, the Chief Planning Inspector would be "master in his own house" in being accountable for how the Agency is run within the overall budget allocated to him. However, the Treasury still sees dangers in allowing even the pattern of management to vary from other parts of the Department.

In part, this can be seen as reasonable where senior administrative staff are concerned since, as we saw in Chapter 5, they are still regarded as a central resource despite the fact that movement is minimal at that level from the Agency so far. Nevertheless, the Chief Planning Inspector has to echo the central Department in re-assessing the number of both professional and administrative staff in

senior management, although the Inspectorate's workload is "demand-led", and rising rather than falling. In this, the Department is only carrying out the government's desire to reduce the size of the civil service.

Because of the necessarily independent role of Inspectors which was mentioned in Chapter 4, the management in the Planning Inspectorate continue to have less than the full range of accountability for their staff normal for line managers elsewhere in the civil service.

The present role of the Assistant Chief Planning Inspectors heading groups is not therefore to endorse or correct what Inspectors do, but to liaise with the central Department on policy matters in specified areas; be responsible for quality control and responses to complaints; and give professional advice to, and oversee the career development of, the Inspectors in their group. However, with the number of justified complaints increasing, it may not be a good time to reduce the number of staff involved in monitoring quality and seeking to raise and reinforce professional standards.

The Assistant Chief Planning Inspectors also contribute to the management of the Agency through regular meetings with the Deputy Chief Planning Inspector who sits on the Management Board, and of which one of them is a member. The current management review may alter this situation, but is more likely to reduce rather than increase the number of Inspectors in the field for whom the managers are responsible.

There is little emphasis on individual as opposed to collective responsibility for managers, as intended by the Next Steps Initiative. The managers in the Inspectorate continue to act as a group rather than taking decisions individually on allocated duties which would be devolved in the private sector.

Another approach to focusing on the Agency's aims and objectives is being investigated at present. In 1995, the Inspectorate's management has been developing a "Vision Statement" to focus the attention of management and the staff on the way forward for the organisation. It includes an interesting echo of a suggestion put forward by the Inspectors at the time of the Staff Inspection in 1984/5 - that the Planning Inspectorate should consider itself as the first recourse for those seeking to resolve environmental disputes (Chapter 4). However, many new independent forms of dispute resolution and monitoring have been created in the last few years (Planning, March 1993), so it must be more difficult to achieve this aim than when it was first suggested. In addition, the co-operation and agreement of the Treasury and the Department of the Environment would be needed.

Accountability to the customer and the Citizens' Charter

The Planning Inspectorate's administrative staff now identify themselves on the telephone and in letters by name, to give the more customer-friendly image as sought by the Citizens' Charter. This innovation cannot be said to have directly followed from the Next Steps Initiative.

FIGURE 6.1 - CHARACTERISTICS SOUGHT IN INSPECTORS

The work of the Planning Inspectorate before Agency status was described as offering potential Inspectors:

"an attractive combination of interest, challenge and responsibility.

It demands - total commitment,
 self-confidence,
 high intellectual standards,
 self-motivation
 and integrity."

(Planning Inspectorate recruitment advertisements in the 1980s)

The current advertisements for contract planning Inspectors in 1995 say:

"The role of a Planning Inspector offers:

 stimulation,
 variety,
 challenge
 and responsibility

it demands: total commitment,
 high intellectual standards,
 stamina,
 maturity
 and self motivation.

We are looking for persons who will uphold the Planning Inspectorate's very high standards of professionalism, integrity and impartiality".

(Planning Inspectorate recruitment advertisement, March 1995).

The Chief Planning Inspector decided in May 1994 that all the Planning Inspectorate's staff should wear name badges in the office - something welcomed by Inspectors who meet so seldom that they do not know all their own professional colleagues, let alone the names of the administrators who they may meet in Tollgate House - and that Inspectors should display name badges at inquiries and hearings. Again, this innovation derives more from the Citizens' Charter than from the Next Steps Initiative.

A very obvious way of demonstrating accountability to the Agency's customers is to maintain, and if possible improve, the quality of the "product" - the Inspectors' decisions - offered to appellants, local planning authorities and the general public. We saw in the previous Chapters that one consistent theme in the external surveys done by or for the Department of the Environment and the Planning Inspectorate has been the confidence placed by the public, appellants and local planning authorities in the integrity and standing of the Inspectors, even when the "customers" of the service provided are dissatisfied with the outcome of their appeal.

The integrity and ability sought in new Inspectors are intended to enable the Inspectorate to recruit staff capable of producing this standard. The current advertisements for contract planning Inspectors echo those used in the 1980s to which reference was made in Chapter 4. Although there is a slight difference in wording, the emphasis in both (Figure 6.1) is the range of qualities needed.

The terms of the latest advertisement confirm that, in the context of professional accountability, the Inspector's role has not been changed by Agency status. Indeed, bearing in mind the reasons for the independence of Inspectors, this would not have been a change welcomed by the customers of the Planning Inspectorate.

Another way of monitoring whether this aspect of accountability is being achieved is the links between the Planning Inspectorate and the relevant professional organisations. There has been regular feed-back from them on how well the Inspectorate has been serving at least its more sophisticated customers. These links have become more pro-active since the Agency was created, in both directions, as both sides have sought to improve best practice, and speed the handing of appeals.

In order to meet a target under the Next Steps Initiative set by Ministers (see Chapter 7 and Figure 7.1), studies by W S Atkins in 1993 investigated the experiences of appellants using the Inspectorate's procedures for written representations' and hearings' appeals. The satisfaction of the "customers" with the reasons for the decisions varied from 80% of those successful, to 9% of those unsuccessful in their appeal - a perhaps not surprising result. Overall satisfaction was 86% and 41% for the same categories (Atkins, 1993; and Planning, January 1994).

In 1994/95, 80% of all appeals were determined by written representations, 2% by hearings and 8% by inquiries. Satisfaction overall was greater for the appeals dealt with at hearings; the

survey showed that this procedure had been chosen by appellants because of the opportunities for debate, because it was seen to be fairer and more thorough, and gave an opportunity to witness what happened. This confirmed the findings of the Oxford Polytechnic Study before the Agency was created (Chapter 4), that people prefer to meet the Inspector and "be heard", so that they feel that they have had a positive input into the process.

Those appellants who had opted for the written representations' procedure had chosen it for other reasons: because of the low costs (to them) and its simplicity, because of their Agent's advice, and because it was seen to be quicker. However, with both types of procedure a significant percentage of appellants were dissatisfied with the length of time taken to issue the decision letter, which averaged 34 days for written representations' appeals (compared to the "target" of 14 days mentioned in the Town and Country Planning (Appeals) (Written Representations Procedure) Rules 1987).

The times for issuing decision letters are now increasing in 1995, because of the pressures on resources already mentioned in giving priority to work on development plans in accordance with the wishes of Ministers. The current targets in the Business Plan are therefore at risk (Chapter 7) as, even with retired Inspectors returning to help as they have before (Chapter 4), short term solutions are not available.

In response to a more recent target for the Agency, a further survey by W S Atkins of customers involved in planning inquiries (Figure

7.1) was completed in February 1995. Overall, the general level of satisfaction on administrative procedures was good, with the Inspectors thought to be well briefed, fair, and with a good understanding of the issues in the appeals. The scores for the ability of Inspectors to put the participants at their ease and to make efficient use of time were satisfactory, but rather lower than the other scores (Atkins, 1995). This is an aspect more concerned with quality, and which the organisation will wish to address.

These surveys offer a way of giving those interested in the appeal and inquiry system outside the organisation more access to information about the Inspectorate, and thus accord with the new emphasis on open government. Since such surveys were done before Agency status was achieved, it would not be correct to credit them entirely to the advent of the Next Steps Initiative.

However, the surveys have confirmed what the customers want in any appeal procedure - for appellants, a quick service, the chance to be heard, no need to produce more paperwork, and an early decision. For local planning authorities, the priorities would seem to be less "hassle", a reduction in the tasks to be performed consistent with getting a fair result, and minimum costs for them.

Summary

Agency status did not alter their accountability as far as the Inspectors were concerned, so that professional managerial accountability remains limited. The Next Steps Initiative has made

more apparent the responsibility of the Chief Planning Inspector for answering outside queries, and questions from the House of Commons.

It has also confirmed the involvement of interest groups in observing and commenting on the activities of the Inspectorate, although this is only a continuation and enhancement of the previous situation. More emphasis has been placed since April 1992 on customer relations and surveys, as well as links with relevant professional organisations.

The political consequences of any variations in performance by the organisation underlie the continuing involvement of Ministers in the priorities given to the workload, as we shall see in Chapter 7. The Chief Planning Inspector therefore has not gained autonomy in this respect despite the Next Steps Initiative.

Senior administrative staff are still seen as a central Departmental resource. Service-wide restrictions and Treasury controls inhibit innovation and flexibilities within the Agency. Pressures on resources affect the performance on performance indicators; customers have confirmed that they want quality of output. A Vision Statement is being prepared by management which favours the Planning Inspectorate being the first recourse for those seeking to resolve environmental disputes, although many other independent forms of dispute resolution have been created during the past few years.

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CHAPTER 7 - THE PLANNING INSPECTORATE: CONTROL

In this Chapter, the way in which the Inspectorate's activities can be measured and controlled will be examined in the context of the questions set out in Chapter 2. One aspect of this is the changes which could have affected the costs of running the organisation; and another is those which have an influence on other ways of overseeing and controlling the operations of the new Agency. In doing so, as before we need to have regard to market testing and the Citizens' Charter, which have been introduced throughout the civil service.

One change introduced by the Next Steps Initiative is that the Planning Inspectorate now carries out functions itself, such as personnel and accounting previously done centrally by the Department of the Environment. This increased staff numbers within the Inspectorate as the Agency was set up, so that some of the Departmental overhead costs have been transferred into the Inspectorate.

This is illustrated in Chapter 4, where Figure 4.2 compared the numbers of professional and administrative staff between 1981 and 1992. After 1992, it is difficult to isolate the changes due to the Next Steps Initiative alone, since fluctuations in the numbers of appeals, a significant increase in development plan inquiries, and the transfer of staff from other parts of the Department of the Environment, have affected the statistics.

Administrators see this to some extent as a wasteful duplication compared to the previous system. Of the 370 administrative staff employed in the Inspectorate in 1993/94 (a rise from about 200 in both 1981 and 1986), about 50 were transferred with the administration of enforcement appeals from other parts of the Department of the Environment. The functions which have been created (accounting), strengthened (personnel and training) or handled differently (quality control, monitoring) since the Agency came into being in 1992 account for most of the remaining increase between 1986 and 1993.

In order to be able to prepare separate accounts to meet the NAO's requirements, the accounting function had to be created more or less from scratch. The personnel function had previously been almost entirely a channel for access to the Department's personnel staff in London. Again, much more training is now done locally, and the Next Steps Initiative's focus on performance indicators requires more attention to monitoring and quality indicators. Thus some of the additional staff are needed to take on new functions from the central Department of the Environment, and part in order to support the need to show accountability for the Planning Inspectorate's operations to its customers and to government, as explained in Chapter 6.

Finance

"Few public servants can give the public - small man or big developer alike - better value for money than the Ministry's professional Inspectorates."

(Wraith and Lamb, 1971).

That statement was made long before the creation of the Planning Inspectorate Agency. The opinion was offered taking into account the ability of Inspectors to work alone, without administrative support "in the field", and it was given long before the emphasis on the more specific meanings common in government now for efficiency, effectiveness and value for money, which have become a constant theme in the Next Steps Initiative.

Agency status has brought more detailed financial accounting methods to the Planning Inspectorate, but basically the organisation continues to adopt an approach to financial accountability which mirrors that used before 1992, but with more detailed accounts in the Annual Report.

The more detailed procedures were required by the need to meet the standards set out by the NAO, in order that the Planning Inspectorate achieved the requirements set for all Agencies' financial affairs after the first year or so of operation. Some new duties taken on in the field of pollution and environmental management are reimbursed by the appropriate Department, but essentially the funding of the Agency

continues to come from the Treasury via the Department of the Environment. Expenditure in the Agency continues to be controlled by fixed annual financial allocations voted for by Parliament, although the workload is demand-led. Thus the new status has made no difference to this situation overall to date.

The outgoings for the year 1993/94 were about £23 million net after receipts for local plans and other specialist work, and from the Welsh Office for work done in Wales. One change has been that the Department of the Environment itself is now producing more detailed financial accounts, and the cost of the Planning Inspectorate is now shown separately on the Departmental Vote as a gross amount - under £28 million.

This total has not changed much over the past few years, although the costs directly incurred by the Planning Inspectorate have risen. This is because, in the past, the Department of the Environment added had added about 30% for their overhead and management costs to the Inspectorate's figures, to produce the sum of just under £28 million set out in the annual estimates.

The Planning Inspectorate is now responsible, through the Chief Planning Inspector as accounting officer, for showing that value for money has been obtained. Whereas previously charges for specific central services such as computing or personnel management were included in the Department's overall charges, now the Planning Inspectorate is told what is attributable to a particular function, giving a clearer accountability.

Currently, the addition for the Department's overheads is about 2% so that, although the Inspectorate's own expenditure has risen, the overall cost to the Exchequer is still a little over £27 million. Clearly, this situation also has implications for the finances of the central core of the Department, since the overhead and management costs passed on to the Planning Inspectorate in the past must now be reduced by some means, or absorbed by other central functions which in turn would increase their costs. Those decisions would have to be made in the context that the NAO is increasingly concerned with value for money in central Departments.

The accounting system

Without any real income of its own, the Planning Inspectorate continues to operate under a gross running costs regime, with all costs paid by the DOE from public funds, and any receipts from local planning authorities and other bodies paid directly to the central Department (Planning Inspectorate Business Plan 1993/94).

As the organisation reached Agency status, improved management practices were put in place with (as we have seen) additional staff, in order that the Inspectorate could produce specific financial accounts. More detailed financial controls and procedures were instituted on a paper-based system in 1992 and 1993, and the National Audit Office has audited the accounts for the first time for the financial year 1994/95.

Like other Next Steps Initiative Agencies, the Planning Inspectorate, has to produce its reports and accounts and have them audited, publish them, and send them through to Parliament by the summer Parliamentary recess. This "April to July" timescale is tight, and means a significant bunching of work for all Agencies and, of course, for the National Audit Office.

We saw in Chapter 2 that the accruals accounting system does not encourage an organisation to find new sources of income, or to economise in the use of funds already allocated, since any savings made are likely to be reflected in a lower provision of resources in the following year. This applies to all Agencies using this system, including the Planning Inspectorate.

The accruals system, and the use of a gross running costs regime, do not fit well with the Inspectorate's fluctuating workload, and the long lead time needed to train Inspectors to meet the upturn in casework (Chapter 4). The Agency has agreed with the Department of the Environment that the cost of the inquiries into objections to draft local plans (repaid by the local planning authorities concerned) should be operated on a marginal extra receipts basis, so that more income for the Agency can be available from the Department when the work load increased, without the necessity for a special application to the Treasury (the Welsh Office casework is funded in an arrangement through the Department of the Environment on a similar basis).

After a reduction between 1989 and 1993, the number of planning appeals has stabilised, and there is now an increase in other types of environmental appeals. Thus the increase in the number of local plan inquiries in recent years has not been compensated for since 1993 by a continuing fall in the number of appeals against the refusal of planning permission, which have a strong correlation with the number of planning applications (there were 597,000 planning applications made to local planning authorities in 1989/90, 483,000 in 1991/91 and 447,000 in 1993/94 (Central Statistical Office, 1995) and an average of about 28% of refusals of planning permission are challenged by appealing to the Secretary of State).

The workload of the Agency is therefore demand-led. However, the PES system for allocating money to the Inspectorate is rightly addressed to imposing cash limits. As part of the Department of the Environment, the Planning Inspectorate is affected by any problems which arise centrally in the Department, and in the civil service as a whole.

Final budgets for the Agency are not confirmed until after the beginning of the financial year, delaying the production of managers' individual allocations. With a volatile workload, this inhibits innovation and deters management from investigating measures which could provide a more varied, rapid and effective service to meet customer needs.

The Inspectorate is one of the largest employers of "homeworkers" in the civil service, and this reduces office rent and running costs, as

well as achieving considerably higher productivity than would be the case if all Inspectors were office based. This is confirmed by the computer firm ICL, whose software development staff have said that a 25 hour week at home produces as much output as a full week in an office. The National Computing Centre in Manchester has recorded that "teleworkers" can be as much as 40% more productive than office-based colleagues (Wickham, 1993).

With a small central staff, every week some Inspectors travel to Bristol from their homes all over the country to assist with the professional management. The cost of travel and of travelling time is the "down side" of having staff based at home.

As stated earlier, in considering the costs of the planning appeal system, it should be remembered that Inspectors in the field act alone, without supporting staff of any kind. The arrangements for premises for inquiries are usually organised by the local planning authority at no charge to the appellant or to the Planning Inspectorate. Thus the cost of the inquiry to the Inspectorate is only the salary of the Inspector, plus administrative overheads of perhaps about £400 for each sitting day.

This situation can be contrasted with the £7,600 daily cost to the taxpayer of an action in the High Court for the judge, ushers and stenographers (The Economist, 1995). The Lord Chancellor is now proposing that civil litigants should pay for taking cases to the courts, with fees of £200 for the county court and £500 for the high court being suggested (Millward, 1995). That could be taken as a

precedent for charging fees for planning appeals which, as we saw in Chapter 5, was considered but rejected during the period leading up to Agency status. The introduction of fees would undoubtedly increase the pressure for the Inspectorate to demonstrate every year that it is providing value for money - which would be a very effective aspect of control.

As in other Agencies, the Planning Inspectorate is delegating budgets "down the line". This approach is now also being pursued in parts of the civil service, so it is no longer an aspect confined to the Next Steps Initiative. In the Inspectorate, from the beginning of the 1994/95 financial year, group heads will have budgets for the their "command". However, the nature of the Inspectors' role means that the Assistant Chief Planning Inspectors, heading groups usually of about 60 professionals and a small group of administrative staff (representing an annual total staff cost close to £3 million), have very little control over the allocation of work to most of the professional people in their group.

The proposed scope of the group heads' budgets was therefore reduced, after discussion, to those aspects which they can influence, since otherwise they would be held responsible for money being expended without having any influence over the outcome:

- | | |
|---------------------|--|
| A. bonus awards | (although these are now proposed to be discontinued under the proposed new pay and grading regime from April 1996) |
|---------------------|--|

- B. overtime (for administrative staff, as
Inspectors are not paid overtime)
- C. external training; (most training is done in-house)
and
- D. official
refreshments

This limited responsibility confirms the particular nature of the Inspectorate's organisation and the Inspectors' duties, and the limited influence which some of the Agency's managers have on the deployment of their staff. Whilst the managers advise on career development, quality standards, and the general nature of the casework which Inspectors do, they do not exercise the ultimate control over each case, or most aspects of what their professional staff are responsible for.

Relationships with the Department of the Environment

Any relationship will be coloured by its importance to the parties concerned. In government, this will be influenced by the political implications of the success or failure of the current operations of the organisation.

The Inspectors, in deciding and advising Ministers on planning and other types of appeals, and in holding inquiries into objections to draft development plans, have an influence on whether changes are

made to the "built environment" and the uses to which land and buildings are put. In turn, this affects the construction industry, which accounts for one third of the manufacturing base in this country, one tenth of GDP, and 50% of fixed investment.

The importance of the construction industry was shown in 1993, when the Department of the Environment launched its construction sponsorship directorate to promote this aspect of national activity, which depends on planning permission being granted by local planning authorities. In the case of some proposals, and particularly the more major but controversial projects, the promoters of development are likely to have to obtain planning permission on appeal. Very considerable sums of money are involved in the outcome of appeals, running into millions of pounds for each of the more major cases.

The effect of the Inspectors' decisions and reports also impinge on other aspects of the Department's responsibilities for the environment, including the control of potentially polluting processes, overseeing the compulsory purchase of land by local authorities, and urgent measures needed in cases of drought and water shortages. It is therefore understandable that Ministers and senior Departmental administrators continue to be interested in how the appeal system is coping, and whether the Planning Inspectorate is demonstrating a practical approach in satisfying its customers.

However, one recent example illustrates the difficulties which the Department of the Environment can have in standing back from the new Agency's activities. This was in the summer of 1993, when Ministers

decided that some inquiries should be scheduled to start on Mondays, the day normally used by Inspectors to contact or visit the office, catch up with paperwork and administration, read case files ready for the next week, and travel ready for inquiries and other work scheduled for Tuesdays.

One group of the Agency's "customers", the Planning Bar Association, protested at this proposal, as barristers use Mondays for case conferences with clients and witnesses before travelling to stay away from their chambers for that week's inquiries (Planning, June 1993). They did not think that the proposal would be beneficial to resolving appeals effectively. However, Ministers insisted that the Inspectorate should allocate inquiries on Mondays.

Inspectors and planning barristers might be concerned about the practical consequences but, for the purposes of this study, the interesting point is that the Ministers decided to specify the exact action to be taken. The relevance in the context of the Next Steps Initiative is the fettering of the Chief Executive Officer's duty to manage, especially as the proposal was made at a time when workload pressures had been reducing.

We saw in a previous Chapter how simple guidelines for performance indicators had been set out in the framework document. If the principles underlying the setting of such indicators had been adhered to, the appropriate pattern would have been for the desired outcome (for example, a minimum number of inquiries to be held in a week or

other specified period) to be set out by Ministers, and for the Chief Planning Inspector to decide how that should be achieved.

Another area where the Department continues its previous practices is when Ministers are briefed on policies in which the Planning Inspectorate has the expertise and/or is dealing with a particular subject on a day to day basis. There is, of course, the need to distance the Inspectors who are deciding and/or reporting on appeals from political contacts; that is why other Inspectors are employed as senior managers in the office in Bristol, whose duties as we saw earlier include liaison with the policy divisions of the Department. However, central civil servants continue to take the lead on these matters, with the Planning Inspectorate management regarded only as a consultee at a distance.

Ministers continue to come under pressures from parts of the development industry to give priority to particular aspects of the Planning Inspectorate's workload. Reference was made previously to the duties of Inspectors to hold inquiries into objections to local development plans; these inquiries alone are now occupying an increasing amount of Inspectors' time (over 20% in 1993/94 - Chief Inspector's Annual Report and rising) as the result of legislation requiring local planning authorities to prepare a new plan for the whole of their area.

Increasing public participation has extended the duration of these inquiries, as have the use of the word processor and the photocopier. Attention to the ways of analysing objections and using databases can

assist authorities in minimising costs and increasing effectiveness, and the Planning Inspectorate visits authorities to give advice on this. Ministers have decided that, as a matter of policy, priority should be given to development plan work, with enforcement appeals being next in priority, and planning appeals coming third.

In 1995, this has resulted in a backlog of written representations' appeals building up in the system, and delays in fixing dates for inquiries and hearings. To make further staff resources available to accommodate this, new Inspectors must be recruited and given comprehensive training. The organisation must then give them a range of work over a minimum period to develop their expertise to the required standard. Thus there can be a considerable delay before the Inspectorate is ready to accommodate any increases in workload, as mentioned in Chapter 4.

The political consequences of restricting resources - in real terms the financial settlement is being reduced by 10% in 1994/95 compared to the previous year - when the workload rises is increasing delays in determining appeals and holding inquiries into objections to local plans. These are likely to be a matter of interest in the House of Commons if any significant backlog continues.

Ministers have therefore been prepared to authorise the extra cost for the recruitment of contract staff in 1995 to cope with an increase in workload; these staff will, as usual, be deployed on simple cases whilst they develop their experience. In the meantime,

the Planning Inspectorate has sought assistance from recently retired staff to assist on a period basis.

These limitations of having control from the Department in relation to a fluctuating workload are a real problem for the organisation. Forecasting for the Inspectorate is an uncertain art (Planning Inspectorate Corporate Plan 1994/95 to 1996/97). This is exemplified by a study carried out in 1993 for the Planning Inspectorate by Arup Associates. Based on a figure of just over 8,000 enforcement appeals submitted in 1992/93, but which appeared to be a peak, the consultants forecast up to 7,000 cases in 1996/97. However, the number of decided enforcement appeals for 1993/94 turned out to be about half that figure - 3,500. However, this is only one aspect of the Inspectorate's work, and other types of case increased and meant that there was an overall increase in Inspectors' time needed in 1993/4.

The payment of salaried and fee-paid/contract staff from two different civil service accounts affects the Inspectorate's ability to manage effective staffing policies in the financial situation of the mid 1990s, and Agency status has made no difference to that. The rigid link to civil service pay scales affects the choice of people from the private sector who are attracted to apply.

Performance indicators

Performance indicators are now one of the most effective ways in which an Agency's progress can be measured and controlled - if

FIGURE 7.1 - TARGETS FOR THE PLANNING INSPECTORATE

TARGET	Framework document	1992/93	1993/94	1994/95
<p>Timeliness -</p> <p>percentage of written representations planning appeals to be determined within - weeks</p> <p>an Inspector to be provided for local plan inquiries within - weeks</p>	<p>the time taken to decide planning and enforcement appeals</p>	<p>22 weeks</p> <p>26 weeks</p>	<p>80% within 19 weeks</p> <p>26 weeks</p>	<p>80% within 19 weeks</p> <p>26 weeks</p>
<p>Financial -</p> <p>unit costs for written representations planning appeals to be held at or below -</p> <p>recover ? percent of receipts due within ? weeks</p>	<p>unit costs and other measures which highlight the financial performance.</p>	<p>£706</p> <p>none</p>	<p>£690</p> <p>90%</p>	<p>£690</p> <p>90%</p>
<p>Efficiency -</p> <p>generate a ? efficiency improvement in the use of running costs compared to the previous year.</p>	<p>appropriate measures to demonstrate overall efficiency savings of at least 2% each year</p>	<p>2%</p>	<p>3%</p>	<p>3%</p>
<p>Quality -</p> <p>percentage of justified complaints and the number of high court challenges related to number of decisions issued.</p>	<p>the number of cases "lost" in the High Court and the number of justified complaints received.</p> <p>Other external measures to be developed as appropriate</p>	<p>1%</p>	<p>1%</p>	<p>1%</p>
<p>Volume -</p> <p>the number of appeals to be determined</p>	<p>the volume of decisions issued on planning and enforcement appeals</p>	<p>24,600</p>	<p>19,000</p>	<p>15,500</p>
<p>Information</p> <p>completion of customer survey by the end of the calendar year</p>	<p>the adequacy, clarity, and availability of information and guidance for all who come into contact with the appeals system</p>	<p>first</p>	<p>second</p>	<p>third</p>

appropriate indicators are chosen. For the Inspectorate, the scope of the performance indicators were first set out in general terms in the framework document, which was agreed by the Department of the Environment and the Treasury in early 1992 (Chapter 5).

Each year since then, the Inspectorate's performance has been assessed against these targets, which are shown in Figure 7.1. In turn, the current year's targets are discussed each year with the Department and the Treasury. This leads to changes for the following year, by (between 1992 and 1995):

- reducing the unit costs for the majority of appeals;

- increasing the percentage efficiency improvement;

- controlling the time taken to recover fees from local planning authorities; and

- completing a series of customer surveys in the period concerned.

The table in Figure 7.1 summarises the progression over recent years. However, standards can be set after the beginning of the financial year. So far, the effect of the efficiency saving percentage requirement is difficult to disentangle from the overall control of the costs of the Agency, and the Department's overall control of decisions on recruitment of new Inspectors. Although staff costs are about 60% of the overall expenditure on the Agency, the political

pressures if delays begin to build up in deciding appeals because there are too few Inspectors seem likely to override any reluctance to finance the necessary staff.

However, the emphasis at present is on the recruitment of contract and fee-paid professional staff, who cost less and are not a permanent commitment for the Agency. It is more difficult to know whether the quality available by this means matches that which would be sought in full-time staff, since the Inspectorate has done very little recruitment of that type in recent years, and pay rates offered in competition with the private sector and the more senior jobs in local government would be important.

The volume workload has necessarily been little more than a general indication since, as we saw in Chapter 4, the number of appeals is related to the number of applications made to local authorities, and that fell considerable between 1989 and 1994. Since appeals are lodged up to 6 months after planning permission is refused, and the number of refusals as a percentage of applications is fairly consistent, the Inspectorate has only a few months' warning if the caseload is going to rise. Figure 4.1 in a previous chapter showed that these fluctuations can be close to 5,000 cases in 12 months.

In 1995, a shortage of Inspectors and the priority being given at Ministers' request to inquiries into objections into development plans (Chapter 4), is likely to mean that, although the number of appeals being made has not fallen, the number determined will be lower than in the previous year.

This is partly because the number of development plan inquiries is greater, and also (as already mentioned in this Chapter) because of the time it takes to train Inspectors to take more complex inquiries, linked to the restrictions placed on staff recruitment in recent years. A further complication, as we saw earlier, is that the Agency's budget is not certain until several months after the beginning of the financial year, which increases the uncertainty about the resources that can be deployed.

Thus, the targets for dealing with appeals assume the anticipated number of applications being refused from which appeals are made, minimal queuing of cases, the co-operation of the parties, the availability of sufficient Inspector and financial resources, and the Planning Inspectorate enforcing the present regulations and timescales.

The quality target is very crude, since recourse to the High Court depends more on the financial resources of the appellant than on the justification of the grounds for challenge; later, we shall see that there are proposals for a different way of making this assessment. The percentage efficiency improvement is a Departmental or civil service-wide target, rather than an Next Steps Initiative or Agency-specific, and the information in performance indicators more a matter of record.

Ideally, performance indicators should show practical ways of assessing the allocation of resources, and the "what if" effect of alternative courses of action. For instance, an Inspector working on

straightforward written representations' appeals, and taking normal leave and training time, will complete about 160 cases a year. Every Inspector who is occupied on management or training duties instead of determining appeals reduces the Agency's capacity by that number of cases. The management changes in the 1980s (Chapter 4) which altered the number of Assistant Chief Planning Inspectors in the Bristol office from 10 to 8, only to bring in 8 Principal Planning Inspectors to assist instead, in practice reduced the casework capacity by $(- 2 + 8 = + 6 \times 160 =)$ nearly 1000 cases a year. The current re-assessment of the management pattern could result in a similar outcome.

Information technology

In a "business" where many cases have procedural similarities, and where statistics on location and the outcome of appeals would be of use to management, the limited progress made on information technology (IT) in the Inspectorate to date which was mentioned in Chapters 4 and 5 is disappointing. Computerisation is only now being slowly introduced into an organisation dealing with many hundreds of thousands of documents a year.

This delay also affects the relevance and interpretation of the results achieved each year against the performance indicators set as detailed targets in the Planning Inspectorate.

Local planning authorities carry out very similar processes to the Planning Inspectorate when determining planning applications, and

most of them have had information technology systems for this purpose for 10 to 20 years. It has been little comfort to the Inspectorate that the difficulties which have been encountered in implementing IT mirror those found elsewhere in government in this country and the USA (Muid, 1994).

The absence of extensive computer based systems, and the unsophisticated financial methods available before the Planning Inspectorate was selected for Agency status, have meant a slow start in identifying where and why money was being expended. This has limited the data available to assess performance and show what costs what, and where effective changes could be made.

Particular capital expenditure schemes in the Agency are often linked to the parent Department - for instance, the software for the IT project in the Inspectorate was a Department of the Environment choice, as the systems are to have some links with those in the Department. The introduction of networks and word processing in the main Department of the Environment brought the impetus for the Planning Inspectorate to be allowed to address the task, rather than the advent of Agency status when it finally came.

The Treasury originally gave approval in April 1990 for a range of IT activities, involving the investment of about £7 million, plus operational costs of about £7 million over an expected life of 10 years for the systems. At that time, some £27 million of benefits were expected over a similar period. including administration and management of cases, matching them to Inspectors, the Planning

Inspectorate's finances, improving management information and communications between the office and the field.

The overall situation on the implementation of IT in the Agency is about to be reviewed, and the outcome could have a significant influence on the progress on performance indicators in the future, as well as any changes introduced by the Prior Options Review.

The Prior Options Review

When the Next Steps Initiative was set up, the review after 3 years was expected to bring the framework document up to date, rather than change the ground rules by which an Agency operated. However, in 1993 the government announced that more fundamental aspects of how the operations of an Agency were implemented would be addressed in the assessment, by looking again at the "Prior Options" (Chapter 1) which were examined when an Agency was established.

In the Inspectorate's case, the revision of the framework document will reflect the agreed objectives and managerial arrangements, and any new responsibilities and flexibilities. The review is being carried out by the Department of the Environment as the sponsoring Department in consultation with the Planning Inspectorate, the Office of Public Service and Science, and the Treasury. Comments have been invited from many professional bodies and environmental interest groups.

This more radical assessment implies the possibility of more significant change, although this may mirror the way a private sector organisation will re-assess the operations of its constituent parts from time to time. The final choices lie with senior managers in other parts of the civil service, rather than with the Chief Planning Inspector.

The comments received from outside bodies on the "Prior Options" consultation have been overwhelmingly supportive of the present independent status of the Inspectors, and the separation of the Inspectorate from the central Department which the commentators observe. It is not yet clear whether market testing of some other functions may be necessary, with the potential disruption and loss of confidence for the staff concerned that that could entail.

The study appear likely to conclude that the planning appeals system does serve a useful and necessary purpose, and that no form of "privatisation" would be appropriate, in view of the role that the Inspectors play in the quasi-judicial system. There seems, therefore, little likelihood of any competition with the private sector as far as the professional activities of the Inspectorate are concerned.

Also revived as part of the Prior Options process has been the suggestion of a regional structure for the Inspectorate; in the past, this has appeared to be more expensive than the present national system, without any compensating advantages.

In the current Review, the possibility is also being explored of a "net funding" regime for compulsory purchase and development plans work where fees are paid by local planning authorities. That would allow variations in demand to be dealt with by the Inspectorate, without an application having to be made every time to the Department of the Environment for additional funds.

Some consideration in the Review is also being given to the implications of charging for appeals although the political problems highlighted by the previous suggestion of this (Chapter 5) seem to rule it out, at least before a change of government. Without that, the majority of the Planning Inspectorate's workload will continue to be funded directly via the Department of the Environment. The planned changes to the funding of the civil courts, referred to earlier, may indicate that change will come eventually in this respect.

In Chapter 1, we saw that the new Agencies were created as units within existing Departments, and so without the need for legislation. As far as the Inspectorate is concerned, that situation could be changed by the outcome of a challenge in the European Court which has been made at the same time as the Prior Options are being reviewed. This relates to whether it is "fair" for a planning appeal to be decided by an Inspector "employed" by the Department as the organisation is responsible to a politician - the Secretary of State of the Environment.

This case will, amongst other aspects, be a test of whether the Court accepts that a quasi-judicial role can be carried out in an organisation not run by lawyers nor concerned only with legal decisions. If the challenge were to succeed, the outcome of the Prior Options Review as part of the Next Steps Initiative could be overtaken by events outside the Department's and the Treasury's control, as the Inspectorate would probably have to be given an independent status outside the central civil service. That has few precedents at present.

Market testing

Market testing is not confined to and within the Next Steps Initiative (Chapter 2). However, its underlying impetus seems to have come, at least to some extent, from the report "Improving Management in Government" (Chapter 1) which preceded the introduction of the new Agencies.

The Public Competition and Purchasing Advice Division is responsible within the Department of the Environment for looking at the viability of contracting out Departmental functions, costing alternatives and drawing up specifications for bids from the private sector, which are assessed for quality and best value for money (Chapter 1). The division also oversees such activities in the Agencies within the Department, thus restraining the local autonomy of the Chief Executive Officer in the Planning Inspectorate.

The Department's evaluation of part of the organisation for market testing, according to an interview in the Department of the Environment staff newspaper "Environment World" (February, 1993), should not take into account loyalty, morale or a sense of belonging:

"The testing process involves costing the service as currently provided; undertaking a user requirement and identifying and costing any resulting changes to the current service; and together with Legal, drawing up and issuing a specification and invitation to tender; evaluating the tenders and awarding either a contract if the function is to go outside, or a service level agreement if the function is to remain in house; and establishing and implementing monitoring review arrangements."

(Citizens' Charter Market Testing Bulletin 1993.)

Each year since market testing was introduced, Agencies in the Department including the Planning Inspectorate have been expected to propose some of their functions which could be contracted out, and this requirement is continuing. About 23% of the Planning Inspectorate's professional workload in 1993/94 was carried out by outside "contractors", and a further recruitment of 30 contract Inspectors have been authorised for 1995. In the Inspectorate, an in-house bid by typing services was successful in 1994/95.

Market testing of other work is planned, in accordance with a programme agreed with the Department. The Information Technology

team are partly composed of outside contractors which, on successful completion of the current project, would be reduced to day to day assistance for maintaining the system (Planning Inspectorate Corporate Plan 1994/95 to 1996/97). Thus the percentage of contracted-out work in the Planning Inspectorate may fall for that reason. However, that could be balanced by an increase in the number of contract Inspectors, which in turn partly depends on the level and type of casework received.

Changes in legislation applying to the whole civil service are reducing the barriers to contracting out functions such as administration carried out on behalf of the Secretary of State, which were previously barred from consideration.

In the Inspectorate, there is likely to be a lively debate about the conflict between increasing the percentage of the functions to be market tested, the new emphasis on freedom of information, and retaining the confidentiality that may be seen to be necessary in handling the Agency's statutory responsibilities. However, this would be the case whether or not the Next Steps Initiative existed, since market testing applies to the whole of the civil service.

The advent of market testing, and changes in the organisation and responsibilities for pay and grading, due originally to the Next Steps Initiative and more recently extended to other civil servants, has unsettled administrative staff and Inspectors alike in the Planning Inspectorate.

This is partly related to the reducing links with other civil service organisations in Bristol, and the lesser number of civil servants overall, which has meant that administrators in the Planning Inspectorate (particularly at management level) have been in their present posts for several years and have few prospects of gaining other experience. However, without vacancies elsewhere or the willingness to leave Bristol for London, this situation is unlikely to change.

Another factor is the limited choice of alternative jobs which may be available in the private sector. Most managers in the Planning Inspectorate with an administrative background had learnt on the job with the assistance of internal courses. Apart from those with degrees when they entered the service, few have had any opportunities to get that level of qualification during their time in service. In 1995, less than 5 Planning Inspectorate administrators had qualifications for which professional subscriptions would be paid, and which would help them get posts outside the civil service.

This is in marked contrast to most inspectors, who have often 2 or more qualifications. Another contrast with the administrative staff is the age of Inspectors in post, which averages more than 50 years. Administrative staff, especially in the lower grades, are usually under 40 years of age.

At the higher management levels, the Inspectors need, in addition to administrative skills, professional knowledge and the ability to interact with a wide range of external organisations and groups.

Almost all will have previously worked outside the civil service either in local government and/or in private professional practice (Chapter 4). Administrative managers at that level in the Planning Inspectorate have usually never worked outside the civil service, and have had a very limited exposure to organisations and individuals elsewhere. A successful outside bid as a result of market testing could therefore have a radical effect on some administrative careers.

The control of quality - The Advisory Panel on Standards

Devising performance indicators which measure quality has been acknowledged to need improvement in the Annual Review of the Next Steps Initiative Agencies (Chancellor of the Duchy of Lancaster/Office of Public Service and Science, 1994). One way of overseeing the quality standards was introduced to the Inspectorate partly as a result of an idea put forward by the professional staff in the new Agency. They were concerned that these standards, which had become a hallmark of the organisation, should be preserved.

Thus the Institution of Professionals, Managers and Specialists Union, to which the majority of Inspectors belong, was a prime mover in the process leading to the decision in 1993 to set up an Advisory Panel on Standards. It is perhaps not surprising that professionally qualified civil servants should be particularly concerned that quality should be maintained in an Agency's activities, and should not be jeopardised by the new emphasis on efficiency and effectiveness as a result of the Next Steps Initiative. It seems

unlikely that the administrative staff in the Agency would have seen the need in quite the same way.

This is an independent body whose remit is to "monitor the quality of the Agency's work on the Secretaries of State's behalf" and to report to him. Chaired by Michael Fitzgerald QC, the Panel of 4 members all have considerable experience in town planning - one as a lawyer in local government, a second as a planner and the third as a Chartered Surveyor. The Panel can be regarded as one of the "external" quality measures referred to in Annex E to the framework document (Figure 5.1). The Panel prepared its first report in the summer of 1993; this was published in December 1993 (Department of the Environment, 1993).

The Panel said that the quality target of "not more than 1% of successful high court challenges and other justified complaints" (see Figure 7.1 earlier, and Chapter 5) was a negative indicator, discouraging positive proposals and suggestions. The Panel said that excessive squeezing of the time and costs criteria may prejudice the quality of decisions so that, whilst it is right that the Inspectorate should seek to reduce costs, the means of funding should not adversely affect the quality of the Inspectorate's work.

The report emphasised that the Planning Inspectorate's independence from the Secretaries of State was crucial, and advised that there would be benefits if the division of responsibility between the Departments and the Agency was stated more clearly. The Panel stated

**Figure 7.2 - The Advisory Panel on Standards
for the Planning Inspectorate**

Matters to be investigated in the second year

the creation of more rounded quality targets

the selection of issues for further customer surveys

the relationship between the quality and other targets

the work of the quality assurance unit within the Planning Inspectorate

the effect of existing safeguards

recruitment

training for Inspectors and administrators

the effect of Inspectors' working conditions on quality

the degree of independence enjoyed by the Agency

its intention, during its second year, to look at 9 areas of the Agency's operations (Figure 7.2).

It will be recalled that, in Chapter 5, the matters which performance indicators should address were set out in general terms in the framework document - timeliness (in deciding appeals); unit costs (to highlight the financial performance); efficiency savings (of at least 2% a year); quality measures (related to high court challenges and justified complaints); the volume of decisions issued; and the adequacy, clarity and availability of information and guidance for the customers of the new Agency.

Bearing in mind that the Panel has been asked to "monitor the quality of the Agency's work", it is interesting that the members see the scope of their interests developing into a more pro-active approach, including the future activities of the Agency. Indeed, the Panel's role could become akin to the functions performed by management consultants.

Following the Panel's comments on the quality target in their first report, action had been taken. In the Inspectorate's Annual Report to 31 March 1994, the previous quality target:

"High Court challenges and/or other justified complaints allowed against Inspectors' decisions should not exceed one per cent of intake"

had been revised to:

- "(a) the number of justified complaints about the way
Inspectors have carried out their duties, and the number
of High Court challenges, should be less than one in
every hundred decisions issued.
- (b) the number of justified complaints about the way the
Inspectorate handled the procedural aspects of casework
should be less than one in every hundred cases received."

In their second report (published in May 1995), the Advisory Panel concluded that, overall, the Inspectorate's casework systems were soundly managed and that the high regard in which the Agency is generally held was fully justified. The Panel said that in the time available, they had not been able to examine all the issues identified in their first report in the detail they would have wished, and had therefore concentrated on those aspects of the Inspectorate's work which most affect quality in the decision process.

The second report said that the Panel agreed that the revised quality target was a more meaningful way of assessing performance, but that it remained essentially a negative measure. They considered that the target needed to address the quality of the Inspectors' decisions, rather than whether someone had chosen to challenge them. The Panel said that for standards of quality they looked to the professionalism of the Inspectorate itself, and in the longer run wanted to see efforts for checking quality switched from checking decisions after issue to standards being enhanced throughout the appel process.

The Panel drew a distinction between quality of process and quality of outcome; they said that the essence of the latter should be gauged from the standard of the reasoning employed in Inspectors' decision letters and recommendations to the Secretary of State.

The Panel members also said that they had been unable to find any documentation which explained the rationale for the other key performance targets, such as timeliness, volume of decisions and efficiency.

As we saw in Chapter 2, it can be too easy to tilt performance towards cutting costs rather than achieving and improving quality. It is therefore interesting that the Panel also commented, in relation to the balance between quantity and quality, that the achievement of standards should not have to depend on resource implications.

The Panel is composed entirely of professionals, but their concern for quality stems directly from their terms of reference, which include "... whether the Agency's professional quality assurance, quality control and training systems are in place and functioning properly ..". They have confirmed in their second report that they propose to discuss with the Inspectorate and the Department what impact those targets had on quality performance.

By seeking to balance these considerations, the Panel is demonstrating that the mechanistic approach used in the 1985 draft staff inspection report (Chapter 4) is not appropriate for an Agency

with a quasi-judicial function which seeks to satisfy its customers as to the quality of its output on a continuing basis.

To quote Appendix D to the Planning Inspectorate's Annual Report and Accounts for 1993/94, recording the pattern which has been established over the years, and which was confirmed in both the Justice/All Souls report (Chapter 4) and the Inspectorate's framework document (Chapter 5):

"Inspectors in planning inquiries act as a technical tribunal, entitled to make decisions based on the evidence before them, coupled with their own expert experience and qualifications. In some cases, decisions may turn on the Inspector's value judgments in planning terms."

The Advisory Panel's members also emphasised that there should be regular training for Inspectors. They said that contracting out parts of the workload should not become a replacement for a trained, salaried, professional Inspectorate which could attract talented and able recruits. The Panel noted that the 1993/4 Business Plan had regarded the outcome of previous recruitment campaigns as disappointing, and said that a centre of excellence could not easily be achieved by an increasing reliance on flexible and disparate staff resourcing.

The appointment of the Panel indicates that Ministers were persuaded that it would not be enough for senior central civil servants to

confirm to them that quality standards were being satisfied, and that a regular overview was needed by independent outside professionals.

It will be interesting to see what the revised framework document (as an outcome of the Prior Options Review) has to say about quality standards and their interaction with other aspects, such as efficiency and value for money, which are sought by the Next Steps Initiative. If the Panel can encourage positive change whilst gaining and keeping the confidence of middle managers, the staff in the Planning Inspectorate, Ministers and central civil servants, considerable gains could be made in a short time.

Summary

There is a tendency to re-arrange, rather than change, administrative practices. Agency status has meant that accounting and personnel functions had to be created in the Inspectorate almost from scratch, and more detailed accounts have had to be prepared. The re-allocation of overhead costs between the Department of the Environment and the Agency has implications for the centre.

The accruals system of accounting does not sit well with the fluctuating workload of appeals. Similarly, service-wide restrictions and late approval of finances after the beginning of the year cause problems for managerial forecasting and planning, and more formal procedures take up extra staff time. Although budgets are being delegated, the independent role of Inspectors means that their professional managers have very limited control over budgets.

Targets tend to be numerical rather than directed towards promoting quality and other types of change. It is difficult to disentangle the effects of performance indicators from those of market testing and the Citizens' Charter. The absence of effective IT systems affects the choice of performance indicators. Quality targets in the Inspectorate are regarded as crude by the Advisory Panel on Standards, and the Panel says that it has been unable to discern a rationale for the other key performance targets. The volume workload target is strongly influenced by the number of applications refused by local planning authorities each year.

The Planning Inspectorate was regarded as offering good value for money in 1971 (Chapter 4), and the practice of basing Inspectors at home reinforces that today. There is at present no incentive for the organisation to seek new sources of income; introducing fees for appeals would be likely to sharpen the focus on value for money.

The importance of the Planning Inspectorate's processes in enabling and controlling development mean that there is continuing Departmental interest, and political controls which can inhibit obtaining resources at the best time to plan for future workloads. There can be political consequences if resources are restricted and tightly allocated to the extent that there are not sufficient experienced Inspectors available to deal with the current workload.

The Prior Options Review could mean major changes in the framework document, although the present pattern of the Planning Inspectorate Agency's activities is generally supported by those consulted. The

final form of the revised document will be decided by senior managers in the civil service outside the Inspectorate. One possibility being considered, again, is charging fees for deciding appeals. A challenge in the European Court, if successful, could mean the Inspectorate being removed from apparent political control.

The need to carry out market testing constrains the autonomy of the Chief Planning Inspector on an annual basis, but is a practice now being applied throughout the civil service. Market testing unsettles administrative staff in particular, who would appear to have less job options than the professional Inspectors if their work was to be contracted out.

The Advisory Panel on Standards has emphasised the need for professional independence, and a division of responsibility from the central core of the Department. The Panel says that contracting out should not be a substitute for a trained, salaried and high quality professional workforce. The existence of the Panel indicates that Ministers accept the need for a professional overview of quality in the organisation as well as supervision by central civil servants.

Comparisons with other Agencies

Overall, our examination of the Inspectorate and its programme to an beyond Agency status has not revealed any dramatic developments. Functions have been transferred as in other organisations affected by the Next Steps Initiative and Treasury decisions. However, few other changes have occurred that would not have come about in any case

because of the variable workload and Departmental decisions independent of the Initiative.

Whilst the Inspectorate may have a unique function, and its professional staff an unusually independent role within the civil service, there are some features of other Agencies (which are examined in Chapter 9) which are comparable or relevant to the activities in the Planning Inspectorate. This is a useful basis for coming to conclusions, and comments on this are in Chapter 10.

We move on, first, to take a closer look at how the Next Steps Initiative was introduced, and the use of framework documents to define the role of Agencies in relation to Departments and Ministers. The effects of common requirements such as accountability, and financial and other controls, and scrutiny of the new Agencies are aspects which need to be considered throughout the Next Steps Initiative, whatever the function of the Agency or its staff may be.

Having examined these matters in Chapter 8 in general terms, we then consider the experiences of other Agencies, in many cases those which also have regulatory functions, to assess whether they provide examples of what the Inspectorate has or could have done since 1992 (Chapter 9). We shall particularly look at innovation and change, those Agencies with variable workloads, staffing issues, financial matters and the use of performance indicators and information technology.

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CHAPTER 8 - OTHER AGENCIES

As mentioned at the end of the last Chapter, there are many common requirements made of Agencies in the Next Steps Initiative. Chapter 1 set out briefly the manner in which the Next Steps Initiative was introduced within central Departments of the civil service. Now, we take a closer look at how the Next Steps Initiative was introduced, and the use of framework documents to define the role of Agencies in relation to Departments and Ministers.

We then look at the effects of the common requirements such as accountability, and financial and other controls, and scrutiny of the new Agencies are aspects which need to be considered throughout the Next Steps Initiative, whatever the function of the Agency or its staff may be. In doing so, we should bear in mind the aspects of the Planning Inspectorate mentioned in Chapters 4 to 7.

The system, in as far as that is an appropriate term for a procedure which has not been formally codified, has been extended rapidly in the 6 years since the first Next Steps Initiative Agency, the Vehicle Inspectorate, was launched in August 1988. One issue is whether the Next Steps Initiative has been able to extend accountability and responsibility to named permanent officials at lower levels in the hierarchy, as has happened in the Planning Inspectorate for many years.

As we saw in Chapter 1, the Initiative was intended to change a horizontally structured civil service into an organisation where smaller central Departments oversee the activities of a large number of more autonomous organisations. With few of the changes being authorised by statute, we shall be looking also in the next Chapter to see whether the new Agencies are able to demonstrate meaningful and consistent change, and better service to their customers.

Whilst the framework documents used to set out the new situation could be said to indicate a change from management by command to management by contract, it is in the everyday relationships between Departments and Agencies that the real situation may be seen. A number of commentators commissioned by government have observed what has been happening, and their conclusions mentioned later in this Chapter may assist us in assessing what has occurred.

One matter to be considered is whether the Next Steps Initiative has proved to be the precursor of more major alterations in how the service is delivered and who by. In this context, the Prior Options Review used in all Agencies after about 3 years (Chapter 1) has a significant role to play.

The general situation

By the summer of 1994, 62% of all civil servants were working in 102 Agencies, plus the Executive Units of HM Customs and Excise and the Executive Offices of the Inland Revenue, which work on Next Steps' lines. The total number of civil servants in these organisations was

over 353,000 in April 1994 (Chancellor of the Duchy of Lancaster: Office of Public Service and Science, 1994). Some 64 more organisations are candidates for Agency status.

Overall, the staffing situation in the civil service at the beginning of 1994 was -

10% central staff in Departments;

9% in executive functions unlikely to be put into Agencies;

62% in 96 Agencies;

4% announced as firm Agency candidates;

12% announced as Agency candidates but the process of considering "prior options" alternatives not completed; and

3% still under consideration for Agency status.

In this Chapter, we look at matters which affect all Agencies, including framework documents, the developing relationships with their parent Departments, and various studies which have been done by civil servants or for the Office of Public Service and Science on behalf of the government, the general concept of accountability as it has evolved in the Agencies, financial issues, the use of performance indicators, and the innovations of market testing and the Citizens' Charter.

The 1994 Review of the Next Steps Agencies usefully summarised the common features of the organisations, as follows:

"Each Agency has a clearly defined task, or range of tasks, which are set out in its published framework document. Key performance targets - covering financial performance, efficiency and service to the customer - are set by Ministers annually and announced to Parliament. Each Agency has a Chief Executive, normally directly accountable to Ministers and with personal responsibility for the success of the Agency in meeting its targets. The majority of Chief Executives have been appointed through open competition and more than half of those appointed in this way have come from outside the Civil Service. Staff in "Next Steps Agencies" remain civil servants, accountable to Ministers and governed by the same strict rules of conduct as those working in Departmental headquarters."

(Chancellor of the Duchy of Lancaster: Office of Public Service and Science, 1994).

Perhaps the most noticeable aspect of these characteristics is the emphasis on specific and measurable tasks. This will be familiar to the staff of the Planning Inspectorate who, as we saw in Chapter 4, are well used to having their output measured and examined.

There are regular meetings each year of all the Chief Executive Officers which give them opportunities to exchange experiences,

listen to civil service and outside speakers, and discuss their procedures.

Individual Agencies' experiences will be examined in more detail in Chapter 9, including how they have coped with changes in their workloads, together with examples of their use of performance indicators, and methods of upgrading services to their customers.

Framework documents

In Chapter 2, we saw that certainty has often been seen as a virtue within the established civil service, with adherence to established patterns being favoured above innovation and change. Since this country does not have the written constitution enacted by some other nations, the framework documents are a relatively rare example within the centre of government of a formalised and to some extent codified pattern of operations for part of the civil service. They should, as for the Inspectorate (Figure 5.1) reflect the character of the Agency's activities.

In as far as these documents are to be re-considered and possibly amended under the Prior Options Reviews for each Agency after 3 years (Chapter 1), they will also reflect the ability of the Departments and Agencies to adapt to changes which can reduce costs and benefit the customers and taxpayers. It is too early to come to overall conclusions about that aspect of the Next Steps Initiative, but the contents of the framework documents can assist in assessing the

Figure 8.1 - THE PATENT OFFICE - HEADINGS IN FRAMEWORK DOCUMENT

Chapter 1	STATUS
	Title Departmental Status Ministerial Responsibility Parliamentary Accountability
Chapter 2	AIMS AND OBJECTIVES
	Main Aim Objectives Operating principles Effect of Executive Agency Status Effect of Trading Fund Status
Chapter 3	ASSETS, RESOURCES AND ORGANISATIONS
	Location and Assets Chief Executive Management and Staffing Structure Steering Board Role of the Steering Board
Chapter 4	REPORTING AND ACCOUNTABILITY
	Accountability to Ministers Parliamentary Accountability and MPs' Inquiries Parliamentary Commissioner for Administration Role of Department of Trade and Industry Accounting Officer Appointment and Role of Agency Accounting Officer Planning Framework General delegations of Responsibilities from the Department Monitoring Arrangements Report and Accounts
Chapter 5	FINANCE, PLANNING AND CONTROL
	Financial Regime Performance Measures Relationship with Customers Policy on Pricing of Service Corporate Plan Approval of the Corporate Plan Financial Delegations Management and Accounting Systems Audit
Chapter 6	PAY AND PERSONNEL MANAGEMENT
	Recruitment Personnel Management Promotion Pay Arrangements Performance Pay Training and Development
Chapter 7	INDUSTRIAL RELATIONS
Chapter 8	SUPPORT SERVICES TO THE AGENCY
Chapter 9	REVIEW AND VARIATION OF FRAMEWORK
Annexes	1. Statutory Duties and Functions 2. Support Services Delegations 3. Financial Delegations 4. Personnel and Training Delegations 5. Accounting Responsibilities

priorities of Ministers, at least when the Agencies concerned were first set up.

A summary of the main headings in the framework document for the Patent Office, part of the Department of Trade and Industry, is shown opposite (Figure 8.1). Some similarities between the main headings and those of the framework document for the Planning Inspectorate (Figure 5.1) are immediately apparent. This framework documents for all the new Agencies are intended to define roles, set out the terms of the contracts between the parties, and set the scene for service level agreements with Departments.

Similarities between the framework documents for the various Agencies also reflect the matters which the Office for the Minister for the Civil Service (OMCS) considers to be important, and which are seen in both Figures 5.1 and 8.1. These can be summarised as:

the Agency's aims and objectives;

relations with Parliament, Ministers, and the parent
Department, other Departments and other Agencies;

financial responsibilities;

how performance is to be measured;

and personnel issues such as pay flexibility, training and
industrial relations.

The first Project Manager for the Next Steps Initiative, Sir Peter Kemp, said that framework documents are partly mission statements and partly articles of association of a company; partly contracts and partly administrative documents (House of Commons, 1991). Clearly, the documents are meant to have a key role in the implementation of the Next Steps Initiative, answering elementary questions about Agencies such as their size, structure and financing, policy field, type of work, and location.

The Agencies' framework documents are, in practice, publicly available contracts by which they promise to meet service targets, and the Departments promise to devolve some of their powers. In the case of an Agency such as the Inspectorate whose staff already have a special and independent role, the document will confirm rather than create that situation.

The process of writing a framework document is the instrument for devising and negotiating the management arrangements for an Agency. However, the public as customers have no right to question the "contract" (framework document) when it is first agreed between the Department and the new organisation.

Similarly, third parties normally have no right to dispute the outcome of a planning appeal. A planning permission granted by Inspectors on appeal is also in a sense, a framework document, since it governs how development should "operate" on a particular piece of land.

One intention of the Next Steps Initiative is that central government should adopt a "hands off" approach to operational matters, and allow Agencies to manage their own affairs. However, old habits die hard, and the level of central control thought appropriate by some civil servants was shown by the fact that the Home Affairs Select Committee was not allowed to see draft framework documents when the Chief Executive Officers appeared before them with Departmental officials only 2 months before the Forensic Science Service and the Passport Office Agencies were created (House of Commons Home Affairs Committee, 1991).

On 16 May 1991, Sir Angus Fraser, head of the Prime Minister's Efficiency Unit, issued a report entitled "Making the Most of Next Steps" (Prime Minister, 1991), in which he suggested that framework documents for Agencies could specify what they could not do, rather than what they could. However, part of the traditional civil service (the Civil Service College Study) saw difficulties in this innovative approach, and the parent Departments and the Treasury held similar views.

The government, in a document commenting on further improving civil service performance (The Prime Minister, The Chancellor of the Exchequer, and the Chancellor of the Duchy of Lancaster, 1994) said that it did not envisage extending the formal establishment of Agencies into areas of the civil service primarily concerned with policy. However, Greer (1993) has suggested that one approach would be for central core Departments to have a framework document and a Business Plan.

Relationships with Departments

Greer (1993) questioned the ability of the Next Steps Initiative process to distinguish effectively between the separate responsibilities of Departments and Agencies; what the Agency's role was to be in policy issues; and how far Minister and Departments should become involved in day-to-day operations. She considered that the balance between the autonomy of the Agency, and Departmental and ministerial accountability would be difficult to achieve, and we noted this earlier when looking at an example in the Planning Inspectorate.

As we have seen, the Next Steps Initiative proposed and sought to introduce a 2 tier structure, with policy development and the organisation of strategic management in the central part of major Departments, and operational tasks in the new Agencies (Chapter 1). We saw in Chapter 4 that this is a division which had already been largely achieved in the Inspectorate because of the regulatory and quasi-judicial nature of the role carried out by the Agency's professional staff. However, there are Agencies, such as the Prison Service, where the Chief Executive Officer is seen as being the Minister's principal adviser on policy (Greenway, 1995).

With so many Agencies in various Departments, it would be surprising if all relationships had progressed in the same way, and the information in any case is limited. However, some examples have come to light which illuminate the process, and the extent to which

Departments have felt able to allow their new associates to take forward their ideas. We look at these in more detail in Chapter 9.

A Treasury representative told the Treasury and Civil Service Sub-Committee that the Next Steps Initiative

"has been letting differences that were inherently there between Departments and Agencies in government come more to the fore"

(House of Commons, 1991 page 58).

Sir Frank Cooper, former Permanent Secretary at the Ministry of Defence, was reported in the Independent Newspaper on 17 March 1988 as saying that

"the Agency concept would require major delegation of authority if it is to be effective rather than cosmetic".

Sir Robin Butler took a similar view, saying that one of the problems to watch out for is that Departments may not in practice delegate control as they should, by monitoring an Agency's performance too rigorously, and constraining freedom of action at every turn (Butler, 1991).

This implies that central Departments should be aiming to confine their role to policy formulation and advice, as the relationship

between the Department of the Environment and the Planning Inspectorate had evolved between the 1960s and the 1980s.

The implications of taking the Next Steps Initiative concept to what some see as its logical conclusion can be seen in the dramatic effect on the Department of Social Security, where only about 1200 out of over 76,000 staff now remain in the central policy core (Goldsworthy, 1991). By comparison, the effect on other Departments, such as Environment, has been limited.

In order to give the new Agencies more autonomy, powers have to be transferred to them which were previously exercised elsewhere. Generally, this transfer has been relatively informal within the broad "canvas" of the framework documents, unlike the delegation of powers passed from the Secretary of State to the Planning Inspectorate's Inspectors. Additional flexibilities put in place since the Next Steps Initiative began have been assisted by the Civil Service (Management Functions) Act 1992. The Civil Service Management Functions Act 1993 allowed delegations of further functions to Agencies.

Official documents may set out formal changes, but the day-to-day practices of Departments in endorsing or derogating from these changes need to be considered to see what is happening in fact.

If there are undefined areas of responsibility between Departments and Agencies in framework documents, these can be either a source of flexibility or a reason for disagreement, perhaps depending on the

personalities involved rather than the matters actually at issue.

Sir Angus Fraser has said that, unless one is very careful, the people who have been delegating many functions to their Agencies will still retain a capacity for challenging, questioning and so on, interfering with the decisions which are being taken under those delegations (House of Commons, 1991). We saw in Chapter 5 that this had occurred in the Planning Inspectorate in relation to the timing of planning inquiries after Agency status had been given.

The challenge for the new Chief Executives is to display "restlessness" if the Next Steps Initiative is to stay relevant, but Sir Robin Butler qualified this by saying that "look-outs have to be put in place and arrangements made for warning bells to be rung" (Butler, 1991).

The National Audit Office have said that a greater sense of common purpose and mutual trust should be developed, and that the amount of information required by a Department should be limited to the minimum necessary. For instance, in the Historic Royal Palaces Agency, there is regular contact by the Chief Executive Officer with the parent Department, but this is limited to a briefing session every 2 or 3 months.

However, a report on the relationship of Agencies within the Department of Transport with the central policy core showed that they had experienced more interference, not less, since achieving Agency status (National Audit Office, 1992). In another Agency, the Chief

Executive had to get approval for spending from a central staff member three grades his junior.

Sir Angus Fraser said in his report (Efficiency Unit, 1991) that Departments and Agencies should maintain a clear and shared vision of the aims, objectives and priorities of the Agencies. He said that Departments should develop, for all Chief Executives, schemes for remuneration which offer significant rewards for achieving results and clear and effective penalties for failure. Sir Angus Fraser found that the areas where there could be more progress were getting the context right, empowering the Chief Executive, and re-appraising the role, organisation and size of Departments.

Agencies usually relate to Departments both vertically to the line "manager" and horizontally, to several different divisions within the Department. Inevitably, the risk is duplication and conformity. Many of the Agencies' Chief Executives were reported to be spending a considerable part of their working week discussing budgetary and other matters with staff back in headquarters (House of Commons, 1991).

The exclusion of any management of staff and resources from the Chief Executive's responsibility should be specifically justified by Departments, and the Chief Executives' remuneration should include clear penalties for failure.

The advice to core Departments has been that they should formulate a clear statement of their evolving role and the part their Agencies

play in the delivery of their policy objectives. Since Chief Executives are directly accountable to a Minister, in a quasi-contractual arrangement as stated earlier, Departments must establish arrangements for providing advice and support to Ministers in relation to their Agencies and identify their focal point at senior level for dealings with each Agency. In the Planning Inspectorate, this is an officer at Grade 7 reporting to a Deputy Secretary. In the Department of Transport, there is a supervisory board.

In 1993, the government took an innovative approach to considering the progress being made in the implementation of the Next Steps Initiative. Ms Sylvie Trosa, on secondment from the French Civil Service, was asked by the Office of Public Service and Science to study the relationship between Ministers, Departments and Agencies, the effectiveness of current arrangements in the Next Steps Initiative and, in particular, the target setting and monitoring process.

Ms Trosa found that there had been positive achievements, including freedom to find solutions to fit a "business", more orientation towards the customer, greater efficiency gains, some improvement in communications between Departments and Agencies, direct accountability of Chief Executive Officers to Ministers, and improvements in performance.

However, she concluded that the variety of arrangements for relationships between Departments and Agencies should be replaced by

Ministerial Advisory Boards for every Agency, to give clear strategic advice to Ministers on Agency performance, and to be a forum for all participants, with the Chief Executive Officer as a member, one third of members to be outside management specialists and experts in the business the Agency is in, and both the Department and the Agency with an equal number of participants (Trosa, 1994).

She also said that there should be a "Fraser figure" for each Agency from a neutral background, who should be a senior person in whom the Chief Executive Officer could have confidence as a source of advice, and with sufficient time available to fulfil that role. The Ministerial Advisory Board should be the principal source of advice for him/her; the role of the Advisory Panel for the Planning Inspectorate has been more limited than that, due to the particular role of the Agency's Inspectors (Chapter 7).

Ms Trosa found that relationships between Departments and Agencies were not good, with mutual distrust being a common feature, and in some cases too much interference by the Department and too little supportive discussion between the individuals involved. There was a lack of co-ordination between central initiatives and the two central Departments (the Treasury and the Office of Public Service and Science), and too many rules.

She recommended that there should be interchanges of staff between Department and Agency, clear targets and objectives for the central core of Departments, and clearer delegation, particularly in the financial area.

Ms Trosa's findings were welcomed by the Minister in charge of the Next Steps Initiative, and her conclusions on performance indicators and other aspects of the process are being taken forward.

An example of the effect of the Agencies on the existing civil service pattern is shown by a discussion with staff in Tollgate House in Bristol which was reported in Environment World in May 1993. They said that moving from an Agency back to part of the central Department showed that traditional civil service problems, including slow responses, emerged again; staff felt that bold and fresh ideas were needed in the centre. The best way to achieve improved support services and cut costs was said to be to untie services, and charge according to usage, as sought by the introduction of market testing.

Central services should not have to be used where cheaper alternatives could be found, including payroll services (DOTp, 1991). It was considered that this would leave Chief Executives (and other budget holders) free to decide where they can obtain best value for money.

An 1991 inter-Departmental study identified significant shortcomings in the costing information available to Chief Executives, and scepticism in the private sector about centrally provided services in the civil service being cost-effective. In some cases, anticipating the findings of the Trosa study, the responsibility within Departments for Agencies was seen as diffused and confused, contrasting with the practice in the private sector. Similarly, reductions in central staffing in private companies where

responsibilities had been de-centralised were not matched within the civil service.

Whether an organisation needs to reduce its staff depends of course on from what viewpoint the situation is being considered.

"We are an indispensable team; you are overmanned; they are redundant."

(Anthony Sampson, The Observer, 1981.)

Sir Angus Fraser has said that the most effective way for the remaining central policy cores of Departments to achieve both savings on staff costs and changes in methods of working is to impose a major reduction in the number of posts in their personnel and finance divisions, and thus force the decentralisation of functions (Efficiency Unit, 1991).

A study of the Treasury concluded that significant changes needed to be made in staff numbers, with reductions in staffing starting at the top, and this intention was being implemented in the early part of 1995 on a voluntary basis, since sufficient volunteers came forward for redundancy (Purnell and Kirkbride, 1994).

An aggregate reduction in the number of such staff across Government was suggested, and the Fraser report added that Departments should agree a timetable for establishing target staffing levels with the Treasury. As decisions on most aspects of staff management are

delegated to Departments and Agencies, the functions and staff of the relevant divisions of the Treasury and the Cabinet Office should be appropriately reduced (Efficiency Unit, 1991). There have been suggestions (Purnell and Kirkbride, 1994) that up to 20% of the most senior civil service managers might not be needed. The Department of the Environment is currently reducing the number of its senior managers by at least this percentage.

Fry, Flynn, Gray, Jenkins and Rutherford took the view that Agencies may be defined more by their relationship to the parent Department than by their role or task (1988), since the careers of senior administrative staff in Agencies are still seen as being a Departmental rather than an Agency resource. With so much of the civil service being moved into Agencies, working in an Agency during the setting up period and its first years under the new status may be regarded as valuable experience for higher posts in the core of Departments. However, the location of an Agency outside London can, as we saw for the Planning Inspectorate, have the most important effect on these opportunities in practice.

The inter-Departmental study on the transfer of staff between Departments and Agencies concluded that geographical and social factors had more relevance for the majority of staff than opportunities within government. The study saw career opportunities at other levels in the private sector and local government being unaffected by variations in terms and conditions, and concluded that the civil service could adjust to similar differences caused by the Agencies in the civil service (Efficiency Unit, 1991).

Accountability

In Chapter 2, the importance of the accountability of the civil service to Parliament was set out, together with the particular responsibilities of the Permanent Secretaries in this respect for their Departments. The Next Steps Initiative is intended to delineate more clearly the responsibilities within Agencies, and their relationships with the politicians and civil servants in the central policy core.

This is a subject in which Parliament has taken an active interest since 1988 and an area which probably needs further clarification before a definitive view can be taken, since the new Agencies remain within the central civil service, subject to controls to which Chief Executive Officers must conform whether they are set out in the framework documents or not.

The roles of the Departmental Accounting Officer (the Permanent Secretary) and the Agency Accounting Officers (the Chief Executive Officers) seem not to be distinct, indicating potential problems, and reflecting the overlap between policy and operational matters referred to by Greer (1993). Where queries are raised, Chief Executive Officers will reply directly to Members of Parliament, but only after they have consulted the parent Department.

In the past, Departmental accounting officers may have spent much time being briefed on detail before appearing before a Parliamentary Select Committee (Pliatzky, 1992). The advent of Chief Executive

Officers in the new Agencies may reduce that burden and transfer it to a more appropriate location. However, the criteria by which Ministers decide the allocation of responsibility between the centre and the Agencies are not always made clear.

The government initially said in November 1991, following questions in the House of Commons, that written replies from Agency Chief Executive Officers would be published in a weekly parliamentary paper put in the House of Commons Library (Independent, 1991). "Outsiders" such as the press and pressure groups found that they had no means of checking when an answer had been provided, and Members of Parliament were told that the replies were not public documents. Members complained of delays, and two Select Committees said that information which had been available to Parliament previously had become inaccessible. There were also considerable variations between the practices of different Departments in the use of the procedure. Following protracted protests by Members of Parliament and others, it was decided in July 1992 that the answers by and about Agencies would be published in Hansard.

Managerial accountability thus can require the Chief Executives of Agencies to appear before Select Committees, and several have done so including the Chief Planning Inspector as we have seen earlier. However, inevitably the effectiveness of the House of Commons Select Committee supervision of Agencies is constrained by political party influence, via whips' selection of members. The Select Committees also lack time and resources.

As we have seen, since the Next Steps Initiative Agencies are still within the central Departments of government, they are subject to service-wide initiatives which affect all civil servants. Central instructions have been issued to the civil service on market testing, pay and grading, the Citizens' Charter and staff bonus schemes. Chief Executive Officers therefore have to plan their pattern of control within these constraints, and can only have limited freedom to manage their organisation as they wish.

Quite apart from these requirements, often imposed by the Treasury, a Chief Executive Officer in a new Agency has other people who are interested in their activities. An example of this is Michael Richard of the Benefits Agency. He has said that he is accountable to the Department of Social Security, the Treasury, the Citizens' Charter Unit, the Ombudsman, Members of Parliament, Select Committees, the media, and the general public as well as to his customers who use the services of the Agency. This is a rather wider range of responsibilities than the average managing director would list for a private sector organisation.

Finance

We noted in an earlier chapter that the control of the civil service in carrying out the functions decided by Parliament is largely by scrutiny of the money required for these duties to be executed within the various parts of government. The role of performance indicators will be looked at later, but there will be tensions between the Agencies seeking as much financial flexibility as possible and the

Departments and Parliament seeking to oversee the expenditure incurred either directly, or through organisations such as the NAO.

One inevitable consequence of the Next Steps Initiative has been the undoubted but un-quantified costs of implementing the new Agency structures, including creating information and financial systems where these are lacking, defining reporting arrangements, developing strategies for personnel and training, and the use of consultants to assist in managing change.

In addition, the costs of the reviews of the framework documents and period staff contracts every 3 years needs to be taken into account. These costs have not been published and, in Agencies where adequate systems had to be put in place, may not have been capable of assessment at the time the Agency was created.

Figures for this do not appear to be available separately, but very considerable staff time have been used by the Departments, candidate Agencies, the Treasury and the Office of Public Service and Science in developing staffing structures, financial regimes, framework documents and agreements. Information technology will, as we saw earlier, have a significant role to play in financial control for those organisations with many and detailed records to be kept.

Whereas 30 Treasury staff used to handle pay bargaining for the civil service, there are now some 3000 civil servants in Departments and Agencies who have now been trained in the same area of expertise (IPMS, May 1994). The Treasury is negotiating with more than 20

Agencies who have to implement new pay and grading systems by April 1996, and the central Departments are now also involved for their own staff. Without a settled basis for this, discussions with one Agency impact on those with another, and can overtake agreements on matters that had appeared to be settled.

The Treasury and Civil Service Committee Report in 1988 had sought to persuade the government that Agencies should be given such freedoms quickly, rather than introducing them gradually. However, this did not happen initially, although in 1991 the Treasury distributed a document setting out 40 pay and management flexibilities, and Departments and Agencies were encouraged to put forward suggestions for further flexibilities.

The Treasury is agreeing to greater delegations of pay and grading structures to Agencies (Management Matters, July 1993). By April 1994, 21 Agencies and the 2 revenue Departments, altogether employing about 60% of the Home civil service, had taken delegated responsibility for their own pay and pay-related conditions of service (Chancellor of the Duchy of Lancaster/Office of Public Service and Science, 1994). By April 1996, these responsibilities will be extended to all Departments and Agencies. Personnel delegations must, in the long run, mean variations in pay regimes between Agencies, encouraged, or at least only to some extent restrained, by the Treasury. Thus the allocation of resources by Agencies has to take place against an ever changing background of ground rules by government and the Treasury (McDonald, 1992).

The financial regimes for Agencies were seen at an early stage as an essential element of the Next Steps Initiative concept, and finance tended to dominate negotiations before Agencies are established (Goldsworthy, 1991).

A feature of the Initiative has been the movement toward trading fund status, formerly enjoyed by only a few bodies in central government. Unless fees are charged or other types of outside income are available, this status is unlikely to be available and, in that it requires formal controls, it can be in some ways as onerous as the gross accruals system used by the Planning Inspectorate.

The 1973 Trading Funds Act was seen to be too limited, as it did not cover the monopoly and statutory services regimes of many Agencies; this restriction was resolved by the Government Trading Act 1990. A Trading Fund provides a financial framework covering operating costs and receipts, capital expenditure, borrowing and net cash flow. The organisation concerned is required to break even, taking one year with another, and to make a return on capital, and has powers to borrow to meet capital expenditure and working capital requirements, and to establish reserves out of surpluses. Within this framework, an Agency can meet outgoings without detailed cash flows passing through parliamentary vote (Goldsworthy, 1991).

Self funding Agencies clearly have the potential for more independent status should that be thought to be appropriate, and the more so where some or all of their work is for the private sector. Trading Fund status gives greater freedoms after the interim stage of net

running cost control, provided that stated "consultation procedures" do not bring hidden bureaucracy. However, such freedoms must mean a reduction of the accountability to Parliament if they are to be effective. However, borrowing money requires detailed agreements with the Treasury which are avoided by a net accruals system.

Financial control

Whatever the financial regime in an Agency, the accounts are audited by the NAO. Now all Agencies, whatever their financial regime, are required to publish commercial-style accounts within 2 years of being launched (Chancellor of the Duchy of Lancaster/Office of Public Service and Science, 1994). This has required each Agency to recruit more staff, as we saw in the Planning Inspectorate, in order to produce its own accounts and institute its own controls, increasing the overhead costs of the Agency.

An inter-Departmental study in 1991 said that the Treasury should not try to challenge Agencies and seek flaws, but rather suggest and support solutions which would enable them to manage better (Efficiency Unit, 1991). There has been limited published evidence that the Treasury is finding it easy to be innovative in these matters, and the initiatives seem mainly to be coming from the Agencies themselves.

Financial controls operate throughout the civil service, but inevitably the introduction of new procedures can threaten the perceived efficiency and effectiveness of the Departments' ability to

oversee what is happening. Auditing has a role to play here. However, as we saw earlier, the Treasury is being reduced in size, and many duties are being delegated to the Agencies. In preparing commercial-style accounts, the Agencies are leading the way in the civil service, since this approach is being extended to all Departments by April 1998.

The chairman of the Public Accounts Committee of the House of Commons has cited 17 examples of serious failings by Agencies in the handling of public money. The rules are, of course, different from spending money in the private sector, since taxpayers have no choice in paying taxes, and therefore are entitled to know that their money is being well spent.

In evidence given to the Treasury and Civil Service Select Committee in February 1994, the head of the NAO in his capacity as Comptroller and Auditor General said that he was concerned about businessmen being brought in to run semi-autonomous Agencies. He commented that all the emphasis had been on what these people could bring in from outside (Purnell, 1994), but they also needed to have regard to public values and traditional ways of handling public money.

However, Sir Terence Burns, Permanent Secretary to the Treasury, has said that, with part of the Department's business now decentralised in Agencies, the consequences for the Treasury itself need to be examined. Sir Colin Southgate, chairman of Thorn EMI and PowerGen, is quoted as saying:

"there is too much second-guessing at the Treasury ... it should forget a lot of the monitoring stuff and concentrate on the really important things."

(Smith, 1994).

A report issued in August 1991 by the Institute for Public Policy Research argued that Agencies were being controlled too tightly by the Treasury. Parliamentary control was seen by the Institute as being inadequate, and it was proposed that Agencies should be given their own statutory basis, setting out the Agencies' remits and detailing procedures for redress and the public's rights to information (Adonis, 1991).

Performance indicators

In Chapter 1, we saw that Agency status is intended to be the beginning of a process of continuous development, and clearly a means of measuring whether this has been achieved is needed. This is one of the functions of performance indicators, which are set out in the first framework document for each Agency, and are subject to annual review by the relevant Department in consultation with the Chief Executive Officer. As in the Planning Inspectorate (Chapter 5), once an Agency is established, the current intentions of the Agency are also set out in the Business Plan and Corporate Plan produced each year (Chapter 5). It is one of the roles of the parent Department to monitor progress by assessing whether these performance indicators have been adequately met.

These targets may relate to finance, quality and/or efficiency, and the mixture of these can vary very much from Agency to Agency. Whether they have been met is set out in detail in the government's annual report on the Next Steps Initiative, issued late each year for the previous fiscal year.

The government issued advice to executive Agencies in 1992 on setting targets and judging performance. This was intended primarily to help the advisers in Departments who assist Ministers in assessing the target proposals which they receive; in setting and publishing the targets which are decided upon; and subsequently in assessing the implications of the results which are reported and the ongoing work of target setting after an Agency has been established.

The intention is to promote better measurement and assessment, to delegate more responsibility to local managers, and to achieve better results by encouraging managers to use the best public and private management techniques. Ms Trosa in her study of the Next Steps Initiative found that the system was working reasonably well, but that attention was needed in some instances to making sure that performance indicators and targets are suitable and appropriate (Trosa, Management Matters, May 1994). Her recommendations were endorsed by the Office of Public Service and Science in the annual review of the Next Steps Initiative (1994).

A further study (Massey, 1995) emphasised the need for a flexible approach by Chief Executive Officers; for Ministerial Advisory Boards (if established) to include representatives of business and the

Agencies' customers; for clarification of the boundaries and nature of Agency accountability; for the use of one budgetary system only using modern techniques; and for the need to have a statutory footing for future changes in the civil service.

A handful of robust and meaningful targets is needed to measure financial performance, efficiency and quality of customer service. Each framework document should establish that, within the overall disciplines of the cash inputs and targets set, managers are free to make their own decisions on the staff needed and resources to be used, except for any specially reserved areas (Efficiency Unit, 1991).

The government's reply to the Seventh Report of the Treasury and Civil Service Select Committee (House of Commons, 1991) showed that Agencies had achieved just over 70% of the overall targets set for them by Ministers at that time, with less success at hitting quality and efficiency targets; the Agencies were better at achieving financial targets (20 out of 26). In the 31 Agencies reviewed, 114 out of a total of 159 targets were achieved (Prime Minister and Minister for the Civil Service, 1991). In 1992/93 overall, 77% of targets were achieved. This figure rose to 80% overall in 1993/94 (Chancellor of the Duchy of Lancaster/Office of Public Service and Science, 1994). Success in this respect is closely linked to the resources which an Agency is allowed, as in the Planning Inspectorate (Chapter 7).

Scrutiny and the Prior Options Reviews

The Citizens' Charter is one form of outside scrutiny, which in giving the public the opportunity to comment, by itself is promoting more open government and the re-assessment of priorities within the civil service. Other familiar processes such as the activities of Select Committees are also "service-wide", as is the annual scrutiny of Agency accounts by the NAO.

The NAO also carries out more searching investigations on specific topics in both central Departments and Agencies (Roberts and Pollitt, 1994; Hogwood, 1995) which can enhance democratic accountability. These investigations, although they are not allowed to question the appropriateness of government policy objectives, can provide useful information on the progress of the Next Steps Initiative and the problems which may have arisen.

The Treasury and Civil Service Select Committee Sub-Committee has continued to examine the management aspects of Agencies and the Next Steps Initiative (Goldsworthy, 1991, and Treasury and Civil Service Select Committee, 1994). The government has rejected criticisms that there is a lack of strategic thinking and direction about the role of the civil service; calls for a fundamental review of the Next Steps Initiative were said to be premature. Nor was a suggestion for standard terminology to be used in framework documents accepted.

Sir Peter Kemp has suggested (1993) that Select Committees should have a greater and more direct role as far as Agencies are concerned.

He has proposed that they should scrutinise the operations of Agencies and the core of Departments on a regular basis, and oversee senior appointments in the Next Steps Initiative Agencies, as well as having direct access to the National Audit Office.

Lord Hunt, Cabinet Secretary between 1973 and 1979, has been quoted as saying that there should be an Inspector General to report to the Prime Minister on the Agencies set up under the Next Steps Initiative, to review the relationship between central Departments and Agencies, to ensure that there was no "second guessing" between them (Ford, 1991).

Sir Angus Fraser said in his study (Efficiency Unit 1991) that the comprehensive 3 year Prior Options reviews of Agencies' achievements and plans would be very important opportunities for reappraisal. There should be a firm timetable so that, by that time, Agencies had financial regimes to suit their business needs.

Richard Mottram, then Permanent Secretary for the Office of Public Service and Science, has said that the Reviews would look at performance, at whether Agency was still the best way of performing the functions, and whether the freedoms allowed by the framework documents could be increased. When Agency framework documents come up for review, the possibility of being a separate Department is considered for Agencies whose functions are independent of the rest of a Department.

The 1994 Review of the Next Steps Agencies stated that in a changing environment, it is possible that the work of an organisation, or at least some aspects of it, may outlive its usefulness, so that the first question must be whether the activity needs to continue at all. We have seen this question being asked in the Inspectorate's review (Chapter 7). If not, the activity can be privatized, bought in, or structured differently. Alternatively, there may be scope for rationalising between Agencies, and between Agencies and other organisations (Chancellor of the Duchy of Lancaster, 1993 and Patent Office, 1993). These are the matters which are being considered in the Prior Options Reviews (Chapters 1 and 7).

Market testing

Market testing is one of the service-wide innovations mentioned earlier, so that the areas of government now covered by the Next Steps Initiative would have been affected in any event by the drive by the government to reduce costs and get more efficiency and effectiveness by this means, as we have seen in the Inspectorate both before and after Agency status (Chapters 4 and 7).

Implementing market testing in Agencies has also revived the argument that the Next Steps Initiative is more about the hiving off of costs from government than achieving a better pattern for delivery, since it is likely to transfer functions away from civil service staff. From 1992, the EEC Community Directive requires that work done for a public sector body by another (public or private) looking for payment will constitute public purchasing, and Agencies will be required to

compete for contracts unless it is accepted that they are working on an "in-house" basis.

The IPMS union took the view in January 1993 that market testing would have to protect the pay and conditions of staff because of the Transfer of Undertakings, Protection of Employment Regulations, and relevant decisions by the Employment Tribunals. The European Court of Justice had overruled the exemption of public services from the European Acquired Rights Directive 1977; contractors' bids for civil service work would therefore have to be based on current working conditions for staff transferred as a result of market testing.

After 18 months of market testing, 4 out of 21 Departments had completed their programmes or were near to doing so (Hasell, 1994). Areas market tested in the central Department of the Environment up to September 1993 included training, registry, design and printing services, conveyancing, property services, travel and legal services, pay administration, personnel management, typing and library services, purchasing, supply and accounts (Market Testing Bulletin, Department of the Environment 1993). Other tests had been done in the Department's Agencies, including the Planning Inspectorate (Chapters 7 and 9).

The work can be retained "in house" by a successful bid by the existing staff. An example is where links with private companies allowed civil servants in the Department of Trade and Industry to retain four out of six contracts which were market tested, albeit by

halving the number of staff retained: the saving in cost was over £100,000 a year (Management Matters, May 1994).

However, the Annual Report of the NAO in 1993 expressed concern about the control of services contracted out following market testing. The report urged that public and private sector cultures must blend rather than clash. Government organisations must watch out for weak financial monitoring and controls, inappropriately applied, lack of clear lines of responsibility and conflicts of interest (IPMS, 1993).

More recently, this concern has been re-iterated by the Public Accounts Committee of the House of Commons (Willman, 1994). Hennessey (1994) has expressed concern about the prominence being given to market testing in the Next Steps Initiative and other reforms of government, and the problems for Ministerial accountability in Departments. He saw less difficulty in the Agencies where the Chief Executive Officers are Accounting Officers.

The Citizens' Charter

In some ways, the introduction of the Citizens' Charter throughout public services has paralleled the Next Steps Initiative, and it is unlikely that the effect of each of these measures can easily be separated from the other. Stowe (1992) points out that a public service is not efficient if it is serving the wrong ends, and monitoring with performance indicators are seen by government as an essential part of the Citizens' Charter process.

Since the Next Steps Initiative came first, it can be said to have pioneered the process and, by being more visible in the new Agencies and other public bodies such as London Transport and the Post Office, to have made it more credible than the same efforts being made in the more central core of government.

Summary

The Agencies' framework documents provide a rare example of a formal document setting out the responsibilities of an organisation in central government, defining roles, setting out the terms of the agreement between Departments and Agencies, setting the scene for the new pattern, and answering elementary questions on areas which the OMCS consider to be important. Framework documents are not being suggested for those parts of government concerned with policy advice.

The programme of market testing is falling behind schedule. It has been suggested that it is most concerned with hiving off costs from the centre of government. There is scepticism in the private sector about centrally provided services for Agencies being cost effective. The NAO is worried about deficiencies in the control of market testing.

The Next Steps Initiative is intended to clarify the accountability of Departments and Agencies. The roles of their respective Accounting Officers are not entirely clear. The Chief Executive Officers of Agencies have accountability to a wide range of

organisations and customers. Select Committees of the House of Commons have limited resources and time to spend on overseeing the accountability and activities of the Agencies. NAO special investigations are rare and unlikely to have a wide impact.

Whilst the "customers" of the potential Agencies were not consulted on the content of the framework documents, they are being involved in the Prior Options Reviews, which accords with the principles of the Citizens' Charter, which in many respects has paralleled and followed the introduction and implementation of the Next Steps Initiative. The alternative options for potential Agencies were not fully explored at the outset.

Framework documents tend to emphasise specific and measurable tasks. The role of the Departments needs to be clear, and they should delegate in accordance with the framework document, and not try to duplicate controls; this may be assisted by forthcoming reductions in the number of managers in Departments. Interchanges of staff with the core of Departments have been recommended, although these may not be so easy to achieve or effective in practice. There is general government advice on delegating pay and grading, and on setting targets and judging the performance of Agencies; the implementation of more IT would assist control and assessment. Nearly 80% of targets are being achieved now.

There is a changing background of ground rules within the civil service as a whole; these include reductions in central Department staff, which could affect the way Agencies are supervised. One way

of doing this is the Ministerial Advisory Boards suggested by Massey to include representatives of business and the Agencies' customers.

Having considered these more general aspects of the Next Steps Initiative process, we move on in the next Chapter to the experiences of a number of the Agencies created since 1988. In doing so, and with limited information being published, we shall necessarily only have a partial picture of what is being done. However, the examples given should assist us in assessing to what extent the intentions of the Next Steps Initiative are being achieved and, in due course, allow some comparisons to be drawn with the Planning Inspectorate.

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CHAPTER 9 - OTHER AGENCIES (Continued)

Promoting change is a basic tenet of the Next Steps Initiative, so that examples which show that change has occurred indicate, at least, that this intention has been achieved. Having considered various aspects of the introduction of the Initiative in Chapter 8, we therefore now turn to how individual Agencies have changed their practices since the introduction of the Next Steps Initiative, as examples of what the Planning Inspectorate might have been able to achieve. As mentioned earlier in Chapter 3, only those examples which have been referred to in public documents have been quoted.

In looking at what has occurred in the Agencies since 1988, we need to bear in mind the questions which were identified earlier, and which will be looked at again in Chapter 11. These were summarised in Chapter 2 as:

the consequences of the way in which the Initiative was introduced, without statutory measures, and the effect of the Prior Options Reviews;

whether the Initiative itself has led to more open government (bearing in mind also the advent of the Citizens' Charter);

the effects of competition and the advent of market testing;

possible changes in the scope and allocation of accountability, including the role of the "customer";

the control of Agencies' activities, including the effect on the autonomy of the Chief Executive Officers, the role of accounting systems, of performance indicators, and fluctuations in workload; and the effect of the productivity requirement introduced by the Treasury;

the effect of supervision by the NAO, and whether the advent of the Initiative has led to better value for money;

the relationships between Departments and Agencies; the relevance of traditional civil service methods; the relevance of the type of casework or demand for an Agency's services, and whether professionals will be affected differently from administrative staff.

Typologies

A considerable range of activities is carried out by the Agencies created by the Next Steps Initiative. Some are involved in functions traditionally considered as being part of government, for example dispensing benefits, such as Social Security and the Intervention Board.

Others duplicate some aspects of private commercial organisations - for instance the Central Office of Information (publicity); HMSO

(publishing); the Recruitment and Assessment Agency (selecting staff); Transport and Security; and Forward Catering. Some are educational institutions such as the Civil Service College, or leisure providers, for example, the Historic Royal Palaces Agency, and CADW (Chancellor of the Duchy of Lancaster, 1992 and 1993).

In Chapter 1, we anticipated that the use of typologies might assist us in considering the characteristics and experiences of Agencies under the Next Steps Initiative. Although many Agencies carry out mainly administrative functions in the traditional role of the civil service, there are several other ways in which the Agencies can be grouped.

Three possible typologies were set out in Chapter 1. One was suggested by Greer (1992) - to classify them as "not self funding", and 2 types of "self-funding" - with and without a monopoly; these can also be labelled as charging or not charging for the services provided. That classification is considered later in this Chapter under the heading of Finance.

Another, set out in an inter-Departmental study by the Efficiency Unit (1991), identified four types of Agencies: Agencies dealing with mainstream policy; Agencies exercising statutory functions; Agencies providing specialist services to Departments; and those outside the main aims of a Department but reporting to a particular Minister.

This approach can be developed into a typology related more to the activities of the various Agencies, as mentioned in Chapter 1. The

typology is set out below, with examples of the Agencies which will be referred to again in Chapter 9:

Regulatory:	Planning Inspectorate; Patent Office; Land Registry; Companies House; Passport Office; Inland Revenue; Vehicle Inspectorate; DVLA; Intervention Board; Insolvency Service; Child Support Agency.
Leisure:	Historic Royal Palaces.
Welfare:	Employment Service; Forward Civil Service Catering; Benefits Agency; Contributions Agency; Resettlement Agency; War Pensions Agency.
Goods:	HMSO.
Services:	Ordnance Survey; Meteorological Office; Central Statistical Service; Transport and Security.
Consulting:	Civil Service College; Central Office of Information; Recruitment and Assessment; Chemical and Biological Defence Establishment; Forensic Science Service; Building Research Establishment; Defence

FIGURE 9.1 - AGENCY TYPOLOGIES

	types of agency																<400	<3000	>3000
Next Steps Agency	regulatory	leisure	welfare	goods	services	consulting	competing with the private sector	semi-judicial or legal	intellectual property	private sector or other income	publications	trading fund or planned	training for others	serious financial problems	strong market emphasis	balancing professional and administrative resources	small size	medium size	large size
Insolvency Service	X							X										X	
Planning Inspectorate	X							X	X									X	
Patent Office	X							X	X	X	X	X	X		X			X	
Land Registry	X							X	X	X	X	X	X						X
Companies House	X							X	X	X								X	
Vehicle Inspectorate	X									X	X		X					X	
Passport Office	X									X								X	
Inland Revenue	X																		X
DVLA	X									X					X			X	
Intervention Board	X																	X	
Historic Royal Palaces		X					X			X	X				X		X		
Employment Service			X				X												X
Forward Civil Service Catering					X		X							X				X	
HMSO				X			X			X	X	X			X			X	
Ordnance Survey					X					X	X	X			X			X	
Meterological Office					X					X		X						X	
Central Statistical Office					X		X			X	X							X	
Civil Service College						X	X			X			X				X		
Central Office of Information						X	X				X							X	
Recruitment and Assessment Agency						X	X			X			X	X	X		X		
Chemical and Biological Research						X	X			X						X		X	
Forensic Science Service						X	X			X				X		X		X	
Building Research Establishment						X	X			X	X							X	
Defence Research Agency						X	X			X						X			X
National Physical Laboratory						X	X			X	X					X		X	

Research Agency; Information Technology
Services Agency.

Figure 9.1 uses this classification to compare several Agencies against their other characteristics, with a note of the number of staff employed by them during 1994.

As we have seen, the Planning Inspectorate is a regulatory Agency, but the range of developments which granting planning permission can allow encompasses development for all the general purposes set out in the headings above. As some Agencies have staff who have a quasi-judicial role or a regulatory function, and deal with other types of intellectual property, comparisons with these Agencies may therefore be particularly useful in considering the options open to the Inspectorate.

The Patent Office (Figure 8.1) example shown earlier in the last chapter covered the matters which the Office for the Minister for the Civil Service (OMCS) considers to be important and which were set out in Chapter 8. These can be summarised as the Agency's aims and objectives; relations with Parliament, Ministers, and the parent Department, other Departments and other Agencies; financial responsibilities; how performance is to be measured; and personnel issues such as pay flexibility, training and industrial relations.

Since there is no statutory basis for the Next Steps Initiative, one indicator of changes in attitude and approach by Agencies and their staff may be innovations which do not fall directly within these

specific areas. However, it should be borne in mind that documents such as the Annual Government Report on the progress of the Next Steps Initiative is based on submissions made by the Agencies. Whilst major successes (and disasters) may be recorded, space and inclination may not promote publicity for the less dramatic or less flattering measures which may have had to be taken.

The classification of Agencies into types or functions may also give an indication of whether they are likely to maintain their present status, or may be considered for movement into the private sector.

Agencies creating Intellectual Property

In Chapter 4, we saw that Planning Inspectors employed within a regulatory Agency create an "intellectual property" when allowing an appeal and granting planning permission. Figure 9.1 shows that, although many Agencies provide services or carry out mainly administrative functions, there are several others in addition to the Planning Inspectorate whose staff have a statutory or regulatory function.

We saw in Chapter 2 that the "traditional" civil service has been essentially conservative and hierarchical. Where an organisation exercises a statutory function, that in itself implies that the staff involved already were less subject to political change and are likely to have had a more independent role, as is the case with the Planning Inspectorate. One characteristic we should therefore look for is

whether being a regulatory body has meant more rapid progress to a more effective organisation once it has gained Agency status.

Not surprisingly, this type of Agency does not compete with the private sector. That is not to say that they will be immune from the threat of privatisation, or at least market testing, as we shall see later in this Chapter. It is more unexpected that Figure 9.1 shows that none are reported as seeking to balance their professional and administrative resources, as we shall see later is occurring in Agencies whose main function is research and development.

Although the information available from within the civil service has been very limited, it is clear that not all potential Agencies with a regulatory function were found to be suitable for that status. For instance, the Industrial Tribunals, although they form a body set up to exercise quasi-judicial functions by determining employment disputes (originally within the Department of Trade and Industry, now in the Department of Education and Employment), and with many operational similarities to the Planning Inspectorate, was rejected as a possible Agency.

The reasons for the decision have not been published, and this is an aspect of the Next Steps Initiative process within some Departments which has excluded outside comment and participation, and could be said not to accord with the principles of open government set out in the Citizens' Charter.

In the case of the Industrial Tribunals, the reasons may have included the legal qualifications of their chairmen, implying a possible precedent for other judicial functions and the status of the lawyers so employed - but we do not know whether this was the case.

The successful use of its procedures by a regulatory Agency creates an "intellectual property" with a commercial value in the marketplace. As Figure 9.1 has shown, the Land Registry, the Patent Office, the Passport Office, the Insolvency Service, the Driver and Vehicle Licensing Agency (DVLA) and Companies House, all have regulatory functions.

Thus, as well as a favourable planning appeal decision, examples of "intellectual property" includes a successful application for a patent, trade mark or copyright (the Patent Office), a registered title (Land Registry) or a company incorporation (Companies House), or registering and licensing drivers and vehicles (DVLA) (Chancellor of the Duchy of Lancaster, 1994).

If the civil service had been created in a formal system based on legislation, it is possible that common rules would have been set out which required Agencies with similar functions to bring some of their requirements into a common format; it is not, however, difficult to imagine what delays that would have brought to the implementation of the Next Steps Initiative. It is probably just as well that regulatory and other functions were introduced over a period of years and in a timescale which, although underpinned by a political

imperative, did take some account of the organisations' capacity to take on their new and more separate roles.

The practices in these other Agencies have significant differences from those used in the Planning Inspectorate. In most cases, the users need to conform strictly to laid down procedures; within those, the Agencies' staff have only very limited jurisdiction to make value judgments on the subject matter. Therefore a properly prepared application to most of these Agencies may be sufficient to achieve a favourable result. This contrasts with the Planning Inspectorate and the quasi-judicial functions of its Inspectors which were set out in Chapter 4.

Examples of Agencies where adherence to the strict procedures should be successful are Companies House, which registers all new companies in Great Britain, receives their accounts and other documents required by law, and makes information about them available to the public; the Insolvency Service which deals with company failure and misconduct; the Passport Office which processes applications for and issues passports; and the DVLA already mentioned. For instance, unlike Inspectors, the staff in the Land Registry have very limited discretion about whether or not to confirm a title to land if the appropriate procedures have been complied with, and the necessary information has been provided. The same applies to Companies House, dealing with company failure and misconduct.

Innovation relating to these procedures would require legislation, so it would be reasonable to expect that these Agencies would

concentrate their performance indicators on showing annual improvements in their practices on those aspects of their operations which do not require the intervention of Parliament.

Of the regulatory Agencies, the Planning Inspectorate is one of the few whose users have the legal right literally "to be heard" in the course of the established procedures. However, a hearing does not in itself indicate that the public may be involved, or that there is a wide discretion as to whether an application may be granted.

The Patent Office holds hearings into contested applications for trade and service marks, designs, and patents - nearly 10,000 hearings of various kinds in 1992. These hearings do not have the significance or the public dimension of those held by the Planning Inspectorate since, in carrying out its work, the Patent Office is only looking for precedents which might preclude a patent or other confirmation of rights being issued on a subject already protected, and for an application being sufficiently detailed to comply with the relevant regulatory requirements.

Innovative procedures

Customer service is, as we have seen in Chapter 1, regarded by government as an important part of the functions of the new Agencies. From the public's point of view, new methods which deliver services more quickly and make the new Agencies more accessible are likely to create the most favourable impression on their customers (and to accord with the principles of the Citizens' Charter). Agencies can

FIGURE 9.2 - AGENCY CHARACTERISTICS

Next Steps Agency	CHARACTERISTICS UNDER THE NEXT STEPS INITIATIVE				
	INTELLECTUAL PROPERTY	INNOVATION OR CHANGE	VARIABLE WORKLOADS	STAFFING CHANGES	FINANCE OR PRIOR OPTIONS
Insolvency Service	YES	MEDIUM	HIGH	N/A	YES
Planning Inspectorate	YES	LOW	HIGH	HIGH	NO
Patent Office	YES	HIGH	MEDIUM	MEDIUM	YES
Land Registry	YES	HIGH	HIGH	HIGH	YES
Companies House	YES	MEDIUM	MEDIUM	HIGH	YES
Vehicle Inspectorate	YES	MEDIUM	N/A	N/A	NO
Passport Office	YES	MEDIUM	MEDIUM	N/A	NO
Inland Revenue	NO	N/A	N/A	N/A	NO
DVLA	NO	HIGH	MEDIUM	N/A	NO
Intervention Board	NO	N/A	N/A	N/A	NO
Historic Royal Palaces	NO	HIGH	MEDIUM	MEDIUM	YES
Employment Service	NO	N/A	N/A	MEDIUM	NO
Forward Civil Service Catering	NO	N/A	N/A	HIGH	YES
HMSO	NO	MEDIUM	N/A	HIGH	YES
Ordnance Survey	NO	HIGH	N/A	MEDIUM	YES
Meteorological Office	NO	N/A	N/A	N/A	N/A
Central Statistical Office	NO	MEDIUM	N/A	N/A	N/A
Civil Service College	NO	N/A	N/A	N/A	N/A
Central Office of Information	NO	N/A	N/A	N/A	N/A
Recruitment and Assessment Agency	NO	HIGH	N/A	MEDIUM	YES
Chemical and Biological Research	NO	MEDIUM	N/A	MEDIUM	N/A
Forensic Science Service	NO	HIGH	HIGH	HIGH	YES
Building Research Establishment	NO	N/A	MEDIUM	MEDIUM	YES
Defence Research Agency	NO	MEDIUM	N/A	MEDIUM	N/A
National Physical Laboratory	NO	LOW	N/A	MEDIUM	N/A

also seek to encourage business either where "trade" is being diverted to other organisations, or where there is a potential loss of business due to the recession.

Figure 9.2 sets some of the known characteristics of Agencies within the Next Steps Initiative which are mentioned in this Chapter. The information available is limited, as will be seen by those areas marked as not available (N/A). Also, Figure 9.2 can be only a limited "snapshot" based on those details which the government and the civil service have chosen to publish. However, the Figure shows that the Agencies set out in Figure 9.1 have varying characteristics, and have not always reacted to their new status in the same way.

As the Next Steps Initiative Review stated in 1993:

"in many cases, the range of goods and services provided (by Agencies) has been extended to meet customer needs and a variety of improvements offered"

(Chancellor of the Duchy of Lancaster, 1993).

However, this statement does not highlight the difficulties in isolating what would have happened anyway without the Next Steps Initiative.

As we have seen, the Next Steps Initiative was introduced without legislation (Chapter 8) and the process might have been very different if that had been the case (Chapter 1), as in New Zealand

(Boston, Martin, Pallot, Walsh, 1991). Changes which need legislation are unlikely to be quick options, because of the pressures on Parliamentary time, even if the outcomes would save money for the taxpayer or the Agencies' customers.

Promoting activities in addition to the traditional role of an organisation will be a less difficult and more attractive alternative if the result is that approbation can be gained by offering different or better services, and the more so if they would accord with the principles of the Citizens' Charter (Chapter 1). Of course, some of these changes might have come about without the Next Steps Initiative, but it is not possible to isolate which these may have been.

So, in addition to staff working on the basic Agency functions (but unlike the Planning Inspectorate), both the Patent Office and the Land Registry now have about 15% of their employees occupied in marketing information services and publications (Chancellor of the Duchy of Lancaster, 1992 and 1993). The Patent Office makes full use of the market value of the "products" which it processes, with a search and advisory service with a 24 hour turn round available to the public. With the Agency now based in Newport, Gwent, in an innovation clearly intended to meet customer needs in the small office left in London, it offers on-line trade mark searches as well as an out-of-hours service which is used by nearly 25% of those applicants submitting documents to the Agency there.

In another regulatory Agency, the Land Registry, self financing telephone-based information services are being introduced using credit card payment, and market research is being used to define customer requirements. A telephone service was tested in 1991/2, trialling access to make inquiries about the progress of applications. The Agency's customers have been given access to the Registry's application database system. Companies House also has on-line information services available to professionals and the public, and is only one of several Agencies to offer faster turn-round times and out-of-hours services to meet customer demand.

Promoting existing services which can be charged for is a private sector practice which several regulatory Agencies are now using. For instance, the Patent Office received more than 3000 inquiries to an advertising campaign to alert investors to the benefits of obtaining patent protection (Patent Office, 1993). The Land Registry and the Patent Office have held open days for the public and specialist interests to publicise their services, and plan to do this on a continuing basis. User groups are providing feedback on the quality of service offered, and ideas for further initiatives. Use of this type of survey, as in the Planning Inspectorate, in a sensible fashion should reduce the reasons for complaints, and again accord with the principles of the Citizens' Charter.

In the private sector, publishing houses can receive a steady income from sales of books published several years' ago. This is an approach which some Agencies have the "products" to exploit. The

Patent Office licences use of its past decisions (the trademarks' database) to a number of commercial companies, and publishes relevant law reports, and technical monographs giving details of particular aspects of the Agency's work. A training video on copyrights advertised in national newspapers has been produced for sale, featuring the TV presenter of "Tomorrow's World", Judith Hann. The Office also offers an interactive laser disk on patents; a trial of CD-ROM disks for viewing patent documents has been successful, and three interactive training packages are under development. The Agency organises meetings and "road shows", and produces information packs and leaflets (Patent Office, 1993) to promote its business.

Another example of an already relatively independent organisation which has used Agency status to extend its operations is Her Majesty's Stationery Office (HMSO), which operates in the publishing, reprographic, printing and business supplies' fields. However, it would be wrong to assume that HMSO's recent innovations necessarily owe much to the Next Steps Initiative, as the organisation had already learnt before 1988 to compete in the overcrowded world of publishing in a commercial manner. HMSO is also responsible for advising other parts of the civil service, such as the Planning Inspectorate, on matters of Crown Copyright relating to publishing ventures.

HMSO was the first UK publisher to get a full on-line electronic database system available to booksellers seeking some of the 160,000 publications it lists, offering normally a 4 day delivery service. About 10,000 new publications a year are produced, with 14% of trade

sales overseas. What Agency status has confirmed is that the historical links of HMSO with government Departments continue - for instance, there are sales of 2 million copies annually of the Highway Code, a contract which has recently been retained after competition with the private sector. Another innovation which Agency status may have encouraged is that HMSO is sponsoring a driver in the RAC British Touring Car Championship to "promote an enterprising new image for HMSO books" (Management Matters, May 1994).

Another organisation which had a considerable degree of independence before the Next Steps Initiative is the Ordnance Survey, established in 1791 to provide maps for the military. It now sells about 2 million paper maps a year to the military and the public, and is increasingly profitable.

There is strong growth in the overseas division, perhaps because its "products" are of a better quality than those of some of its competitors in the private as well as the public sectors. For instance, the Ordnance Survey's maps are 6000 times as detailed as those produced by the United States equivalent, the Bureau of Census (Arthur, 1992). In the USA, private operators make the profit by re-packaging the product for the public, a situation similar to that at the Planning Inspectorate at present, where decision letters by Inspectors are marketed by a private organisation. The Ordnance Survey distributes its products via general and specialist booksellers, as well as dealing direct with other organisations.

However, these practices seem to have little or nothing to do with the Next Steps Initiative, and are more likely to be related to history, personalities and the reasons for which the organisation was created and has continued to operate. The same could be said of another recent change, where key market executives in the Ordnance Survey have been appointed to handle the business of large commercial customers such as the water, gas and electricity companies, local authorities, telecommunications, and government including the Land Registry (Management Matters, 1993). Segmentation of duties of this kind may be derived from private sector practices; however, they equally could be said to have some similarities to the division of tasks within the traditional civil service.

One change which one would like to think has been possible in the new culture encouraged by the Next Steps Initiative was an innovative solution found by the Ordnance Survey to the task of caring for their triangulation point pillars which record the height of land above sea level, most of which are now redundant with the introduction of satellite mapping. After being widely condemned for proposing to remove the pillars, the Survey invited anyone interested to "adopt" a trig point. Over 2000 have been allocated to would-be "parents" (Economist, 1993), who are now cheerfully redecorating, personalising, and generally maintaining the points.

One organisation which prior to Agency status had a less open approach to the private sector is the Central Statistical Office (CSO), whose major role is to supply the Treasury with the statistics they need. There have been suggestions that the CSO's figures for

vital statistics such as growth in the Gross National Product and, in overseas trade, were so late and approximate as to have had little benefit or interest (Tyler, 1992). The first Director of the new Agency is reported to have insisted that other Departments cease to delay the issue of their statistics for political purposes, and he introduced a timetable for publication from all ministry sources (Marsh, 1991). This new approach has caused problems for the politicians, who have not always been kept abreast of the new statistics (Hadfield and Reeve, 1993).

In the past, the huge amount of data held by government was traditionally provided free or at nominal charges by the CSO to interested parties (Harrison, 1989). For the most part, the obstacles were technical, as central government services were in general regarded as public goods. Greater availability can be portrayed as more open government and accountability; more cynically, it could be said to be an easy way of increasing income or offsetting overheads. In that sense, using existing but untapped resources can produce deliberate fluctuations in an Agency's workload.

In some cases, of course, the provision of economic data may be competing with the private sector, and cause the NAO to consider whether that is cost effective for the taxpayer and is operating within the controls which they oversee on behalf of Parliament. Utilisation of assets to raise revenue can mean exploiting an existing database or disposing of the assets entirely (Harrison, 1989). The Director of the CSO has said that his role is to produce numbers that people would actually use at a price that they are

prepared to pay in the market place. That sounds very much like what a private sector company might say.

Some Agencies with their budgets constrained, and with increasing pressures on their research activities have been able to demonstrate benefits to the private as well as the public sector to offset their costs. These opportunities can arise in unexpected areas. One example is the Defence Research Agency, which does scientific and technical research in non-nuclear defence, previously only for the benefit of the Ministry of Defence. A more innovative attitude to new markets following the implementation of the Next Steps Initiative is shown by the Agency developing a thermal camera small enough to fit to the side of a fireman's helmet, of which some 1500 have been sold to the USA. Another "product" of the research is a lightweight honeycomb sheet which has been found to be ideal for a new type of loudspeaker (Highfield, 1993).

The character of an Agency's business must influence the opportunities for it to take its traditional business into new areas; some have been able to do so without competing with the private sector, with spectacular results. For instance, the Driver and Vehicle Licensing Agency has developed a thriving business in selling interesting car numbers to the public and trade purchasers. In the period up to 1993, the total proceeds were £125 million. The most sought after numbers are auctioned, two staff being employed to detect those which are likely to be most popular such as K1DDY, K9PUP, and MUS1K, and those with a more local appeal such as NES1E (Economist, August 1992). This successful business appears not to

have been deterred by the recession. However, in another area for which it is responsible, the Agency came under considerable pressure from the Police authorities before the senior staff of the Agency agreed that a 24 hour, 7 day a week, service would be provided to give information about vehicle ownership, although the junior staff in the Agency were said to be very happy to offer this service which their customers wanted (McDonald, 1992).

One Agency which is unique in both its origins, its role and the progress it has made under the Next Steps Initiative is the Historic Royal Palaces. The Agency is responsible for 5 properties owned by the Crown: the Tower of London, Hampton Court Palace, Kew Palace, the Banqueting House in Whitehall, and part of Kensington Palace. Since the Agency was created, it has moved from supervision by one Department (Environment) to another (Heritage). The changes at the Agency offer interesting examples of what can be achieved under the Next Steps Initiative, in an organisation which is constantly competing with private sector leisure attractions such as Madame Tussaud's Waxworks, and other visitor opportunities such as royal buildings at Windsor Castle and, more recently, the summer opening of Buckingham Palace.

The changes at the Agency have included training guide staff, so that they are not only janitors and security guardians, but also sources of information for the public. The role has since been privatised after market testing. Visual displays in the Palaces have been significantly enhanced; and there is a £10 million new home for the Crown Jewels at the Tower of London, opened in 1994, which has moving

pavements to take the visitors past the display. This will increase the number of visitors who can see the Jewels daily from 15,000 to 20,000 at the height of the summer season (Kirkbride, 1994). A major TV and radio advertising campaign for the Agency has raised customer awareness of the Agency.

Other measures to maximise use of the properties have included opening new areas of the Palaces to the public, the establishment of a new Hampton Court Flower show, evening celebrity concerts and other events after the Palaces normally close to the public, and recreation of the original garden layout at Hampton Court Palace to complement the refurbishment of the State Apartments. In the spirit of more "open government", customer satisfaction surveys are carried out each year; and it should be remembered that all this has to be achieved without compromising the way in which the Crown wishes the properties to be seen.

Customer participation has also been encouraged in a very different way by another long established organisation which is now an Agency, to increase customer loyalty. The Royal Mint now has a Coin Club with 150,000 members in this country, and another in the USA with 75,000 members (Chancellor of the Duchy of Lancaster, 1993). In that coin sales are made in an international market, and collecting is an absorbing interest for the Agency's customers, the Club appears to be an effective way of promoting extra sales of its unique products to the public.

Variable workloads

The Next Steps Initiative was introduced when the economy was prosperous and active, and when the provision of services to the public was unlikely to have too many constraints. The recession, although now easing, brought more onerous pressures to bear on several Agencies, especially those which compete partly or wholly with the private sector.

There has been an increasing emphasis by government throughout the civil service since 1988 on cost cutting, value for money, and greater efficiency and effectiveness. This has been given added urgency by the need to limit government expenditure due to the recession. The Agencies have had to manage their reactions to this within the service-wide productivity requirements and other constraints introduced by the Treasury which were mentioned earlier. We shall look at the financial implications later in this Chapter, but first the effect of variable workloads will be examined.

Like the Planning Inspectorate, the Land Registry is a demand-led organisation concerned with property and development casework where the annual "activity rate" (number of transactions per registered title) had been rising consistently year on year in the period up to Agency status (plus 13% in 1970, plus 20% in 1987 and then forecast to be plus 25% by the year 2000), linked to the buoyant economy in the late 1980s (Land Registry, 1990). The downturn in the property market due to the recession reduced the number of applications by 37% in 1992/93, compared to the peak year of 1988/89. In the Land

Registry, the most noticeable result of the reduction, noted in the Annual Report on the Next Steps Initiative, was that staff numbers fell by more than 26% between 1989 and 1993, to just under 9000 people (Chancellor of the Duchy of Lancaster, 1993).

This change coincided with the move towards Trading Fund status, and the consequent introduction of appropriate financial controls. Whether that resulted in a more rapid reaction to reducing staff numbers, it is impossible to say, especially bearing in mind that there were service-wide pressures from government at the same time to reduce the size of the civil service. Indeed, this is another example of how difficult it is to disentangle the various influences on the practices in a civil service organisation from those which have arisen from the advent of the Next Steps Initiative.

Nor would it be right to look only at influences which arise only from within this country. The United Kingdom has been in the European Union for long enough that practices and organisations which cover all the countries concerned affect the operations of the Agencies.

One example of this is that the demand for patents obtained through the Patent Office has been declining for some time in the face of competition from within Europe. This was because the European Patent Office was set up to offer EEC-wide patents to those companies and individuals who did not want to have to make duplicate applications to several national authorities for the same product or process. This change has left the Patent Office in this country with the

smaller and less valuable patents to process, which may not be renewed for the full 20 year term available, thereby reducing fee income. As a result, new patent examiners were not recruited for several years until retirements outstripped the reducing workload. Other work done by the Agency (trade marks, copyrights and designs) is not all so directly linked to the economy. The publicity measures mentioned earlier in this chapter under "Innovative Procedures" should help to raise the profile of the Agency to those who might use it.

Any assessment of the effect of the Next Steps Initiative cannot ignore the financial climate in this country, which can increase workloads as well as reduce them. Whereas the number of appeals made to the Planning Inspectorate fell in the recession, the Insolvency Service's workload rose rapidly, with the targets reflecting this - 14,500 cases in 1991, rising to 53,000 cases in 1994. The result was that the caseload completed fell by 5.9%, as the Service concentrated on maintaining administrative standards for their customers rather than speeding handling times. A similar situation has arisen in the Inspectorate (Chapter 4).

However, the case productivity per head in the Insolvency Service has doubled, from 9:1 to 18:5 since 1989/90. Although the information on the reasons for this is limited (the introduction of more technology being one factor), the introduction of targets for the Agency should have had some effect. What cannot be certain, as we shall see later when considering performance indicators, is whether the targets were set to promote the maximum improvement possible.

If the recession reduced the Planning Inspectorate's appeal workload, other Agencies who compete with in the private sector, for instance the Recruitment and Assessment Service, have been even more hard hit. That Agency has traditionally obtained all or most of their business from other parts of the civil service (IPMS, 1992 and Hencke, 1992). The pressures in some areas of government to minimise outgoings can have a strong impact on such Agencies. The Recruitment and Assessment Services Agency was reported in February 1992 to have told 37 staff that they faced early retirement or dismissal, as their customers in government Departments were trying to save money by using private recruitment companies, rather than the new Agency, to fill executive job vacancies.

Another Agency which duplicates private sector activities is the Central Office of Information, which sub-contracts the production of advertisements and media buying for government advertising by "market testing". Its role is as a go-between, helping Departments to choose an advertising Agency, offering advice and negotiating media rates. Since the Agency does not have a monopoly, their customers in Departments can also go elsewhere, provided that they can show the NAO that it would cost less or give better value. With the traditional role of government in promoting road safety and deterring drinking and driving now being pursued by private companies, and the central Departments doing less public information advertising, the Agency is losing business. In 1992/93, for instance, the business handled for the Central Office of Information was halved, due to a reduced privatisation programme, the election in that year, and a fall in civil service recruitment (Chancellor of the Duchy of

Lancaster, 1993). That is a situation which any private sector firm would have difficulty in accommodating easily, but strict controls, and linking of productivity in identified staff groups to performance benefits, enabled the Agency to contain costs and remain in control of the situation.

The introduction of more open government and the intentions of the Citizens' Charter has given some other public sector bodies more choice on where they buy the services they need. Another Agency with a strongly fluctuating workload is the Home Office Forensic Science Service, which provides scientific support in the investigation of crime. Within 8 months of becoming an Agency in April 1991, a poor response to the introduction of direct charging for services to police forces led to a 18% reduction in demand. The Agency was also not doing too well in its efforts to get further work from defence and private sources, and all this led to a shortfall in revenue of £450,000.

This could be described as an informal means of market testing; certainly, auditors could criticise police authorities if they continued to use the Agency when the services could be bought more cheaply to the same standard from the private sector. Thus this example shows the significance of the customers' individual decisions on the viability of, and the options available to, an Agency.

Staff

As mentioned earlier in this Chapter, personnel issues are amongst the matters which should be addressed in framework documents. This is not surprising since, if a higher standard of service is to be provided by civil servants, and the precepts of the Citizens' Charter are to be met, then measures which increase their job satisfaction, and increase and enhance their access to relevant training, have a role to play. With so many different functions being exercised within the new Agencies, the methods to be used must be varied and suited to the experience of the staff concerned, and the duties they are expected to perform. With Chief Executive Officers meeting regularly to exchange experiences (Chapter 8), the successful use of an innovation in one Agency is likely to benefit some others elsewhere where it is relevant and appropriate.

The Patent Office moved from London to Wales during the period leading up to Agency status, taking with it both specialist patent examiners and their support staff. Some additional civil servants were recruited to replace those who had not transferred to the new headquarters. These changes may have influenced the Chief Executive Officer's initiative in arranging for a local college to offer his staff a 2 year external course for a diploma, tailored to the needs of administrators in the Agency. 30 Non-specialist staff have recently become the first successful "products" of this process, giving them a useful qualification recognised in the world outside the civil service. The Agency's clerical staff have also obtained

nationally recognised qualifications as a result of being offered a "competence based" training programme.

This move towards a more focused approach to staff development is seen in different guises in other Agencies. The Historic Royal Palaces Agency now employs some 415 full time and up to 100 part time staff, with senior staff on 5 year contracts. It needs a number of specialist staff, who have been recruited from the private sector, with open competition for all posts. The organisation is not run by committee in traditional civil service style, but by giving responsibility to suitably qualified and experienced people. A bonus scheme in 1992/93 gave all staff of the Historic Royal Palaces (except for the Chief Executive) an equal amount of £600. "People Plans" have been introduced for staff at all levels and locations in the Agency, to develop skills and their understanding of their roles, and assist them in their dealings with the public as customers (Historic Royal Palaces, 1993).

The phraseology used in the Annual Report of the Agency is more reminiscent of a public relations consultancy than part of a government Department; this tends to confirm that the Agency's management is accurately reflecting the nature of its business.

Managers in the Historic Royal Palaces Agency visit at least 6 other "attractions" a year, and any member of staff is reimbursed the cost of doing the same anywhere in the world, to widen their knowledge and experience. Staff receive a 20% discount in the shops and free entry to the attractions for themselves and their families.

Another example of practical changes being made to suit the needs of the particular organisation is in the Employment Service, where a radical new clerical and executive recruitment and training package was introduced (Prime Minister and Minister for the Civil Service, 1991). The new approach means that managers are now able to recruit locally, looking for staff primarily able to relate to people and get results, rather than relying on academic attainment. The Agency necessarily deals very frequently with people who are under stress. The Service has introduced the use of older, more understanding staff to interview middle-aged unemployed people, and is developing its own selection tests for recruitment with the help of educational psychologists. The promotion scheme advertises vacancies internally, and only those interested apply for specific posts. All this seems calculated to promote a more informal and friendly approach to its customers and the purpose of the Agency.

We saw in Chapter 8 that all Agencies, including the Planning Inspectorate (Chapter 5), are now being required to organise their own pay and grading structures, albeit subject to strict Treasury and Departmental control. In this Chapter, we have already seen that HMSO was operating in an independent manner before becoming an Agency in 1990. The Agency was the first to introduce major changes in grading and pay in November 1991, which removed the standard hierarchical structure and brought in new patterns relating to the work done (Management Matters, October 1993). These have since been used as an example for other Agencies to consider, as all are now being required by the Treasury to introduce their own changes in this area.

Another innovation to suit the needs of a particular Agency is the skills audit being used in the Ordnance Survey as the basis for a re-training programme to match the talents of the staff to the changing requirements of the business (Management Matters, 1993). With the use of information technology being given a high profile in the Agency, about 800 staff are being given Total Quality Management training, with a view to the organisation obtaining the BS 5750 quality standard.

As we saw in considering the activities of the Planning Inspectorate, some Agencies depend heavily on the effective deployment of professionally qualified and experienced staff. One area now being given more attention in those Agencies where the purpose of the organisation is to use professional skills is focusing on the balance between their expertise and the nature and role of the administrative support. A report by the government's Efficiency Adviser found that the proportion of administrative staff was 50% higher in government research establishments than in their industrial counterparts (Blackhurst, 1993). This situation may have been inherited from the bias towards administrative staff identified by the Fulton Report in 1968.

An example of this is the Home Office, which has admitted that scientists in the Forensic Science Service spent nearly 40% of their time on administrative tasks; changes are planned (Chancellor of the Duchy of Lancaster, 1992, and IPMS, 1992). The National Audit Office (NAO) itself is setting an example to other parts of the public service by increasing its direct overheads work ratio from 50:50 in

1989/90 to 60:40 in 1992/93 (National Audit Office Annual Report 1993).

The need to focus on their core business and limit overheads has been recognised elsewhere. Other Next Steps Initiative Agencies employing significant numbers of professional staff, including the National Physical Laboratory and the Defence Research Agency, have or are aiming for a ratio of about two "fee earning" staff to each supporting administrator (Chancellor of the Duchy of Lancaster, 1992 and 1993). This is a similar ratio to that in large firms of chartered surveyors or lawyers of similar size, whose core business is project or site assessment and writing reports setting out professional advice based on established law and practice; these functions have many similarities to those in the Planning Inspectorate, which has not yet addressed this aspect of the organisation under the Next Steps Initiative.

Another example of an Agency employing professional staff is the Chemical and Biological Defence Establishment, which is the authority in its field for all scientific and biological defence. The Establishment is also focusing on its core skills, with targets to increase scientific and technical staff from 65% of total manpower in 1991 to 70% in 1993, in order to maintain the research programme and to respond effectively to operational emergencies. If this type of Agency is to be able to compete with the private sector, it needs to continue to refine its expertise and limit its overheads.

Finance

As mentioned earlier in this Chapter, one approach to categorising Agencies would be that suggested by Greer - as "not self funding", and two types of "self-funding" - with and without a monopoly; these can also be labelled as charging or not charging for the services provided (Greer, 1992). We have seen earlier that the Planning Inspectorate is a monopoly, but not a self-funding Agency.

Financial responsibilities are a key area dealt with in all framework documents - how an Agency will be financed and what method of accounting will be used. We saw in Chapter 7 that the gross running costs regime distorts the ability of the Planning Inspectorate to react to a varying workload, and to plan its finances ahead to meet this and other long term problems. Another important consideration is the Agency's lack of any independent income.

All Agencies are now affected by the Treasury's productivity requirements each year, but there is little evidence published or available which shows the effects of that constraint separately from the other factors which influence an Agency's financial affairs.

The Treasury's support for the Next Steps Initiative seems to be linked very much to the prospect of continuing financial savings, strongly reinforced by the introduction of market testing, although this also applies to other parts of the civil service. The Patent Office's central service costs show what can be achieved by radical change, these costs having been reduced by a move to a new building

in Wales from £21.6 million in 1990/91 to £13.57 million in 1992/93, a reduction of 40% (Patent Office, 1993). Where an Agency shares a building, as the Inspectorate does with out-stations of the central Department, there must less scope for savings of this kind in the short term.

The differences in financing arrangements are often derived from the history and practices chosen for an organisation by its parent Department. The Land Registry is required to limit its fees to the minimum needed to finance the organisation. The process for establishing fee scales has recently been speeded up, from 12 months to 3 or 4 months. By contrast, the Patent Office charges fees on a staged basis (Patent Office, How to prepare a UK Patent application), kept as low as possible initially (with the major part due after the patent rights are granted) so that inventors are not deterred from seeking legal protection for their ideas. Both Agencies had been subject to restrictions imposed on them by the Treasury, so that they were not been able to retain their receipts to pay for future needs (Chancellor of the Duchy of Lancaster, 1993).

Both the Land Registry and the Patent Office have, like the Inspectorate, had a semi-independent position in the civil service. They have both been able to charge fees for their services, although the way in which they do so is also linked to the purpose for which each organisation operates. However, since achieving Agency status, both have been moving to the greater flexibility conferred by Trading Fund status within the formal controls overseen by the NAO.

Before the advent of the Next Steps Initiative, the finances of the Historic Royal Palaces were controlled on the net difference between expenditure and income. The income from visitors was only £11 million a year, and the taxpayer was paying £10 million a year to make up the shortfall needed to run the organisation. No more funds were available from the then parent Department of the Environment.

Investment in the fabric of the buildings was limited, and all the focus was on expenditure control rather than value for money, and the maximisation of income had not really been considered. In these characteristics, it was similar to the Planning Inspectorate then, and now.

An additional consideration was that the Department of the Environment's interest in the Royal properties was shared by English Heritage, the Royal Household, the Property Services Agency, the Royal Parks, and (in the Tower of London) the Ministry of Defence (Department of the Environment, 1989), which made for diffused management and less effective decision making.

The theme since the Historic Royal Palaces Agency was created in 1989 has been to develop and enhance the visitors' experience to increase customer satisfaction, so as to justify extra charges which would enable a continuing programme of improvements, in accordance with the role of the Agency. The Chief Executive Officer (appointed from the private sector), decided that visitors were being substantially undercharged, especially if the quality of their experience could be

enhanced (Beeton, 1991). He considered that increased income could be produced to fund the £25 million needed for improvement schemes. As we have already seen, special events, flower shows, sponsorship and other services, letting apartments for holiday accommodation at Hampton Court Palace, and increased sales from the tourist shops and catering, are contributing to the increased income which is funding the capital cost. £20 million a year is now being spent on maintenance and new improvements (Historic Royal Palaces, 1993).

None of this would be worthwhile if the Agency's customers felt that they were not getting value for money. However, despite increased entry fees (tripled since 1989 at Hampton Court), the Agency's income from visitors and their satisfaction from their visits continue to grow, as has been confirmed by the customer surveys. It is now anticipated that there should no call on the Exchequer for any sums at all for the Palaces by the year 2000 - the first time for over 250 years (Historic Royal Palaces, 1993).

As stated earlier, there is probably a tendency to highlight successes in the Annual Report on the Next Steps Initiative, and not to make too much of less satisfactory performance. However, one example of the concern expressed by the Public Accounts Committee to which we referred in the last chapter became public knowledge. The Chief Executive of the government's catering organisation, Forward Civil Service Catering, was suspended in July 1992 after it was found that poor management and cost control had resulted in financial losses of £400,000 and up to £450,000 in unpaid tax and national insurance (Shrimpsley, 1992).

The problems came to light at the Department of the Environment staff restaurant in the headquarters in Marsham Street, where there were fictitious employees on the payroll, and wages paid gross to avoid tax. National Insurance records had been destroyed in 20 of the restaurants (Linton, 1992). The publicity given to these events did not confirm that any of the deficiencies revealed were connected to the Next Steps Initiative or to Agency status.

The Public Accounts Committee investigated what had happened at the Agency following the outcome of a National Audit Office report, and consultants Ernst and Young have looked at all 322 outlets. It was announced in 1994 that Forward Catering had been sold to a private company which is part of the Granada Group (Management Matters, 1994). This will not be a reason for privatisation that the government would wish to see repeated, but it does underline why strict financial controls are needed in relatively autonomous organisations spending public money.

As we saw earlier, the Recruitment and Assessment Services Agency was affected by the recession, and was said to be £800,000 "in the red". What the Next Steps Initiative does appear to be achieving is a more rapid and specific response to a situation of this kind, and less of a tendency to delay action, or to conceal what has happened. It was reported that the Agency was planning to give up the prestigious premises in Whitehall, and transfer staff to the provincial headquarters in Basingstoke to save money (IPMS, 1992). A 3 year review of the current split of recruitment responsibilities between the Civil Service Commissioners, the Agency, and Departments has been

undertaken (Management Matters, May 1994), and a reallocation of responsibilities appears to be on the way.

The way in which the changing fortunes of an Agency are now more apparent is typified by the financial situation of the Building Research Establishment, which provides guidance and research on the performance of buildings, fire prevention and control. After a very successful first year as an Agency, with a 60% increase in income from research for the private sector, the second year results were affected by the recession. However, a fall in private sector income was offset by extra government expenditure, to give a turnover of £37.4 million (in the previous year this was £31.8 million). The prospects for the third year continued to be affected by the downturn in the economy, although capital investment programmes were planned to promote future work for both the Department of the Environment and other government Departments, as well as the private sector. Extra penetration of the local authority housing market was also planned (Kenny, 1992).

In some ways, these problems besetting some Agencies are only those which private firms have to accommodate, and which the effect of the Next Steps Initiative together with the Citizens' Charter has highlighted in government organisations. Another example is the Forensic Science Service which was mentioned under "Variable Workloads" earlier. That Agency's problems were increased when the Chief Executive Officer was told in 1992 that it would have to pay £487,000 a year to continue to rent laboratories in Aldermaston from the Atomic Weapons Establishment. As a consequence, it was decided

to move the staff concerned to the Birmingham headquarters to reduce overhead costs.

A similar problem on a larger scale affected another Agency; after re-assessment of the organisation shortly after its attained Agency status, the Defence Research Agency shed 18 sites and 2,000 staff (Highfield, 1993). After cutbacks by the MOD, the plan is to save £90 million annually by 1996/97, with rundown costs of £250 million borne by the Department.

However, it would be wrong to ascribe all such changes to the Next Steps Initiative requiring a more realistic approach to the use of staff and the cost of general overheads. Although the Planning Inspectorate has yet to gain full benefits from IT, technology is having a significant effect on the use of staff in other Agencies. For instance, the number of employees in the Ordnance Survey has fallen from 3500 in 1979 to about 2300 in 1993, and is forecast to fall by 500 more by 1996/97, as the Agency becomes increasingly computer-orientated; but in the same period, the marketing department has doubled in size to promote the Agency's products and services, and now has about 160 staff.

Performance indicators

Performance indicators have, as mentioned earlier, rapidly become established as key features of the Next Steps Initiative. In theory they enable Ministers and Departments to gauge the progress of an Agency in the areas measured. This straightforward statement can,

however, obscure the fact that performance indicators need to be set so that they are neither too simple nor impossibly complex. As mentioned in Chapters 2 and 8, they need to define value for money, and be designed to improve the service to customers, balancing reductions in costs with maintaining the service to the Agency's customers.

However, what is less clear is whether there is any way to confirm if the performance indicators are providing a relevant target which should be met. As we saw in Chapter 2, there can be a tendency to concentrate on functions which are easily measured using existing data, such as the number of appeals being determined in the Inspectorate, which may not assess the real problems within the organisation.

Although performance indicators were originally included in the framework documents, they are now updated annually in the Agency Business Plans. As we saw in Chapter 8, Ms Trosa found in her study of relationships between Next Steps Initiative Agencies and Departments that, whilst performance indicators were working, in some cases they needed to be more appropriate to the role of a particular Agency. The comments by the Advisory Panel on the indicators chosen by the Planning Inspectorate (Chapter 7) reflect this view.

Where Agencies, such as the Land Registry and the Patent Office, which already had a relatively independent status before the Next Steps Initiative, are at a mature stage with performance indicators, they are now seeking to radically reduce the number used to the very

minimum. Both these Agencies have measured the work/case load completed per (administrative) officer (per day or week) as a base indicator for some years, and their targets include specified improvements on the current figures.

With a large number of applications to process each year, the Land Registry has had targets of computerising the titles for land in 1991, 1992 and 1994 of 3.95 million, 6.0 million and 10.5 million. Targets for the completion of pre-screening of applications within 3 days have risen from 91% to 98% in the same period, and the Agency's turnover from £188.4 million to £231.7 million, whilst the number of staff has reduced from 9876 to 8600 during the same time. Thus simple numerical targets can reflect the beneficial effect of measuring tasks previously done by hand.

Another way to use performance indicators is the assessment of the productivity of staff throughout an Agency. As its key targets between 1990 to 1995, the Patent Office is aiming for a 1.5% increase in productivity on patent examinations, and 3% on trade mark examinations. Staff are, of course, only part of the cost of running an Agency and we have seen earlier that, after the move to Wales, the Patent Office achieved a substantial reduction in the cost of the common services over the 1989/90 baseline.

Despite the emphasis which is being given to open government in the Citizens' Charter as well as the Next Steps Initiative, it can be very difficult to assess accurately what the real reasons may be for choosing particular types of performance indicators instead of

others. The comments of the Advisory Panel on Standards for the Planning Inspectorate on the rationale for its performance indicators (Chapter 7) are relevant here.

It is crucial that performance indicators are tailored to reflect the precise role which an Agency is intended (in the framework document) to perform, in order to promote real progress in the quality of the service available to its customers. Allied to that is the need to know which factors accurately measure improvements in controlling Agency operations.

The Passport Agency is an organisation with interesting performance targets because of the fluctuations in its workload, which varies over the year, influenced by holiday patterns. Thus the performance indicators vary also, from 10 to 20 days handling times (Chancellor of the Duchy of Lancaster, 1993) depending on the season. The number of passport services provided increased from over 3 million in 1991 to 5.9 million in 1994. There is also a seasonal aspect to the lodging of planning appeals, although it is much less significant.

Some Agencies have gone for very limited and simple targets, but this may perhaps be due to the preferences of the Agency or Departmental managers, rather than for some other reason. The performance indicators for the Historic Royal Palaces Agency are more simple than most - visitors' ratings for enjoyment, value for money and helpfulness of staff (Hansard, 1992). However, these may accurately reflect the proper priorities for the Agency's operations.

Well chosen performance indicators should record some of the other changes which have been examined in this Chapter following the introduction of the Next Steps Initiative. As we saw earlier, some Agencies are concerned to adjust the balance of their professional and administrative staff, and having a target relating to that gives a specific focus. The Defence Research Agency has a target to reduce the administrative and general overheads to 25% in 1993/4 and then to 15% in 1996/7, by reversing the ratio of 1:2 support staff to researchers. The National Physical Laboratory has as one of its key targets to reduce the cost of administrative support to no more than 20% of full economic cost, and to increase the amount of staff time spent on scientific programmes (Chancellor of the Duchy of Lancaster, 1992). It will be interesting to see whether these targets are attainable.

The process of target setting is continuing to be seen as a significant way of promoting efficiency and change in the civil service. This was shown in March 1994, when the government announced more than 100 new efficiency targets, ranging from information on how many hours of teaching a week school pupils receive, to job centres' success in placing people in work, and higher standards for delivery of letters by the Post Office (Kirkbride, 1994).

Clearly the government considers that these targets enable progress to be demonstrated, not only in the Next Steps Initiative, but also in meeting the aspirations set out in the Citizens' Charter, by allowing Departments to evaluate the performance of Agencies against

standards of service which the customer can reasonably expect (Chapter 1).

Information technology

Measuring performance against these indicators inevitably requires the collection and processing of numerous statistics within each Agency. Done manually, this is a mammoth, costly, slow and sometimes impossible task. This is why delays in the introduction of Information Technology, as in the Planning Inspectorate (Chapters 4 and 7), can be so significant in terms of accountability and control. As mentioned previously, Information Technology can offer many improvements in efficiency to Agencies seeking to reduce costs.

Information Technology can be used to automate existing processes, bring in new services, or record how work is done. Examples are the Land Registry (National Audit Office, 1987 and 1991) and the Patent Office, both of which have had computer systems for some years. However, as in the Planning Inspectorate, IT did not automatically bring immediate benefits. The introduction of systems in the Land Registry caused considerable problems in the earlier stages, and led to investigations by the NAO (1987 and 1991). Both Agencies are now actively installing networks to provide their customers with on-line services. The Land Registry is looking at Geographic Information Systems (GIS) for recording site areas and locations in the future, whilst the Patent Office is investigating the use of computers for recording full visual information about patents; this would be an

expensive operation, with the need to establish international links eventually.

GIS is clearly a useful tool also for the Ordnance Survey Agency, which started to move to digital mapping in 1972. The task of digitising 220,000 maps should be completed in 1995; some 80% of digitising maps onto a computerised base is being done by the private sector, as a on-off exercise. By contracting this process "out", it took only 6 months. The £25 million project has paid off; updating maps on a digitised basis is 30% to 40% cheaper than redrafting on paper. Ordnance Survey maps can now be printed out on the spot at 15 Agents' premises, using a computer work station, CD-ROM reader and colour plotter. There is also the future possibility of three dimensional stereo pictures.

Other new services introduced by the Ordnance Survey include ADDRESSPOINT, which provides a national dataset combining correct postal addresses with digital data suitable for database and GIS applications. The Ordnance Survey help line for individuals now handles over 20,000 queries a year, using sophisticated computer software to access information. In the long term, this is an area for which the Inspectorate might find a demand from their customers if linked with appeal statistics.

Scrutiny and the Prior Options Reviews

We saw earlier that the NAO has overall responsibility for auditing the financial accounts of all Agencies; the Treasury is also involved

in annual discussions between Agencies and their parent Departments on budgets and financial allocations. A further and developing dimension is the appointment of outside experts, managers and customers to Advisory Boards, as has been done for the Planning Inspectorate (Chapter 7). However, the information available on their deliberations is very limited so far. An NAO investigation can promote change and identify problems from which other Agencies can learn.

One example of specific scrutiny by the NAO is a report on the Vehicle Inspectorate Agency, which promotes road safety by conducting statutory tests on lorries and buses, and supervising garages which carry out MOT tests on cars (Department of Transport, 1991). The NAO reported in February 1992 on the Agency's first 3 years, and said that it had become significantly more efficient and more responsive to customers' needs, with an improved corporate identity, the removal of a layer of management, improved teamwork and internal communications, involvement of staff in decision making, and clearer targets.

However, a public organisation does not have the freedom to make decisions as a private company would, since regard must be had to statutory duties and other responsibilities in the public interest. The NAO report said that the Agency's obligation to keep open under-used (and therefore loss-making) testing stations had affected financial results (National Audit Office, 1992). The weak implementation of some services in the Agency has been criticised;

for instance, many customers had not been made aware of brake testing facilities or training courses.

The Agency's annual report in 1992 said that tests for heavy goods vehicles would in future be available at operators' premises, which should reduce waiting times and the distances travelled by operators' vehicles for that purpose. Problems with some Area Offices having overspent on enforcement costs were addressed in 1992 by economising on other activities and transferring funds from other areas.

In September 1992, it was announced that some test fees were to be significantly increased, in some cases by more than a third. Comments were invited from users of the service, whose initial reaction was very negative (Motor Transport, 1992). A proposal in late 1992 to privatise testing stations or introduce self certification were also rejected by the vehicle industry as being contrary to public safety, but the use of environmental targets linked with road safety was being investigated. More recently, privatisation of the Agency's services was proposed by government, but rejected (IPMS, March/April, 1994). Thus the managers must be constantly on the alert, to display the restlessness sought by Sir Robin Butler (Chapter 8), in order to demonstrate that the Agency style is the most effective basis for providing the service to its customers.

Many of the key principles which were mentioned under the Citizens' Charter (Chapter 1) are reflected in the existing Agency framework

documents, and the Prior Options Reviews are likely to give more emphasis to this aspect of their operations and targets.

Unlike the Planning Inspectorate, some Agencies, such as DVOIT, were launched under the Next Steps Initiative with the intention of privatisation being made explicit from the outset. Other Agencies to have gone in that direction since include the Transport Research Laboratory, the National Engineering Laboratory, and the Laboratory of the Government Chemist.

As a result of those Prior Options Review which have been completed, some other organisations have got close to privatisation, such as the Patent Office and the Insolvency Service, and then been reprieved. The consultants, Price Waterhouse, reviewed the operations of the Patent Office and said that flotation as a company, a management buyout, a consortium of buyers, extensive market testing or sale to a single party were all possible options for the future (Purnell, 1994).

However, customers, staff and professional bodies were all said to prefer the status quo, as has happened for the Planning Inspectorate, and Members of Parliament were reported as being concerned about the proposals because of the quasi-judicial role of the Office in intellectual property disputes (IPMS, November 1993). It now seems that the regulatory and advisory functions will remain within government, with the administrative work contracted out (IPMS, May 1994).

A review in 1983 (the Cork Report) concluded that the Insolvency Service should be operated by civil servants independent of both debtors and creditors; subsequently, the Insolvency Act 1986 rejected privatisation. The workload increased by 400% after 1986, with bankruptcy orders and compulsory company liquidations rising from just over 11,000 in 1987 to nearly 42,000 in 1992; the staff numbers increased only by 1% in the same period. However, the politicians' view of the organisation has changed, as a review was set in train in 1993 to consider privatisation, although that was not supported by the customers of the service. It now seems that the regulatory and advisory functions will remain within government, with the administrative work contracted out (IPMS, May 1994), as is being done in the Patent Office.

Market testing

Market testing is regarded by Ministers as a key part of their drive to reduce costs and ensure that the civil service provides value for money (Chapter 1). All government Departments are required to consult with its Agencies with this objective, and to ensure that they review these opportunities each year. The process in the Department of the Environment, and the progress in market testing in the Inspectorate and across the civil service in the first 18 months, are described in Chapter 7.

With targets being set for a significant percentage of civil service work to be contracted out by this method (or for in-house teams to reduce their costs in competition with outsiders), market testing has

absorbed much management effort in the Agencies. The supervision of the process is expensive and time consuming and, as we saw earlier, the savings so far are not coming as rapidly as the government had hoped. The cost of supervision has rarely been published (the cost in the Home Office mentioned in Chapter 1 being an exception); the way in which supervision is being done is now the subject of a Cabinet Office Scrutiny.

In the meantime, only the consequent effects have been given publicity, and a few examples will give a flavour of what has been happening. As in the other activities mentioned in this Chapter, the scope of the work considered for market testing, and the opportunities which may arise, will vary according to the role and character of the Agency in question. In the Land Registry Agency, legal services, surveys, records management and various building services have been market tested (Chancellor of the Duchy of Lancaster, 1992 and 1993; and National Audit Office, 1987 and 1991). Some 25% of the Patent Office operations have been contracted out; it is easier for an Agency employing some seasonal and professional or consultant staff to achieve a higher figure, as the 70% of work "bought in" by the Historic Royal Palaces Agency shows.

It could be added, no doubt, that the enthusiasm with which these opportunities are pursued may have to depend on the attitudes of the individual managers involved in the process, unless an overview is maintained across the civil service of what progress is being made, and why.

In terms of value, the savings available will clearly be related to some extent to the size of the Agency's budget and, as mentioned before, they can arise from an in-house team succeeding in their bid to retain the work at a lower cost. Thus, in the Customs and Excise, £40 million of work was retained in-house out of a total of £60 million which was market tested, and which had been done by full time civil servants before; however, the successful bid required the loss of 600 jobs (Management Matters, May 1994). It is this kind of result that prompted Sir Peter Levene to comment to Management Matters in December 1993 that these savings were a pleasant surprise, but made him wonder why they had not been found before.

The Citizens' Charter

With the Citizens' Charter having been introduced in 1993, clearly the advances in open government which Agencies may have achieved before then can be credited in part at least to the Next Steps Initiative rather than to the influence of the Charter. However, it is the formal position now that, when a new Agency is launched, the practical operations set out in its framework document and Business and Corporate Plans (Chapter 5) are intended to reflect customer service in the Citizens' Charter manner from the outset (Chancellor of the Duchy of Lancaster/Office of Public Service and Science, 1994).

The key principles of the Charter (Chapter 1) include improving customer service and publishing the standards that can be expected, giving clear information in plain language, taking users' views into

account, publicising ways of complaining, and arranging for independent evaluation of performance against the standards. As we saw earlier, the use of performance indicators is a very important tool in providing a means of assessing performance and progress in these areas, and many of the indicators referred to earlier come into this category.

Other examples are the Driving Standards Agency, which has reduced the waiting time for car driving tests from 13 weeks in 1988 to less than 6 weeks. Another is the Passport Agency, which has reduced the average time for processing straightforward passport applications from 3.5 weeks in 1989 to less than 8 working days.

The Historic Royal Palaces Agency's Visitors Charter includes a range of measures, including target times for answering telephones and letters and name badges for those staff in contact with visitors, as in the Planning Inspectorate; an easily accessible complaints procedure; and the results of a self-completion questionnaire for visitors are included in the Annual Review of the Next Steps Initiative. Such surveys give opportunities for the parent Department to assess whether the quality of service is being maintained or improved. However, there continues to be a tendency to emphasise numerical targets which only require statistics to be collected (Chapter 2), rather than to go for more complex and less easily defined requirements.

Summary

All typologies for Agencies to some extent reflect their functions as set out in the framework documents, and can assist in indicating what the future status of an Agency may be. Those with a more commercial role have often demonstrated more inclination for change, especially in the content of a variable workload. Some Agencies were launched with the intention of privatisation from the outset, and others are moving in that direction as a result of the Prior Options' Reviews. There is a constant need for managers to ensure that the style of the Agency is appropriate for the service to be provided, and the background and experience of a Chief Executive Officer can strongly influence this.

The decisions that Agency status is inappropriate for part of a Department has not always been publicised; however, a more formal structure for this would probably have delayed the implementation of the Next Steps Initiative.

Innovations in one Agency can benefit others, and customer surveys and input from professional organisations can have a useful role in this which meetings between Chief Executive Officers are intended to promote (Chapter 8). Competition from the private sector and the recent recession have had a significant influence on some Agencies.

Ministers see market testing as having a strong impact on the drive to reduce costs, either by contracting out work or reducing the cost of its being done in-house. Market testing involves considerable

management effort (Chapter 8), and the costs of supervising the process have rarely been published. The scope for market testing depends on the character of the Agency, and perhaps the attitudes of individual managers.

The combination of a fluctuating workload, service wide staffing constraints and the government accounting system is difficult to reconcile in the interest of value for money, especially if the income of an Agency is limited or inflexible, as we saw in the Planning Inspectorate (Chapter 7). Managers may have to choose between quality and productivity, and it can be very difficult to say whether the right balance has been struck or the correct performance indicators have been set.

Agencies with some statutory functions may have little scope for making value judgements in their work, but can be subject to only limited political control. Some agencies employing professional and administrative staff are beginning to develop the latter's skills in a more volatile employment market, and to alter the ratio between staff working on the core skills of the Agency and the number of people supporting them. Agencies are taking a more flexible approach to recruitment and training, as well as pay and grading, and are being required to take on responsibilities for personnel matters (Chapter 8).

In those Agencies which had a measure of independence before Agency status, it may be less likely that changes since then are due to the Next Steps Initiative. However, the new system has encouraged

innovation and extending the business of many Agencies into new areas, especially those which do not need legislation.

The principles of the Citizens' Charter are being reflected in the Prior Options Reviews, and more open government, although the amount of information published by government is relatively limited.

Involving user groups can promote choice and change (Chapter 7), and enable Departments to improve their methods of control. User groups and customers may be able to oppose and sometimes prevent privatisation.

The focus in the past has often been to expand controls rather than promoting value for money; indeed, the customers of an Agency may not share the views held within the civil service about what value for money means.

Finance is a key area in the Next Steps Initiative, and the Treasury is continually seeking savings, as we saw in the Planning Inspectorate. The financial systems used may derive from the history of the organisation, and problems may not be due to the introduction of the new pattern of the organisation. Due to delays in setting budgets, performance indicators may be set after the beginning of a financial year, as in the Inspectorate (Chapter 7).

Performance indicators can concentrate on easy measurements and existing statistics; they can be either too easy or too complex, and outside observers may have difficulty in seeing why they were chosen. Performance indicators should reflect the role of the Agency and be

designed to promote change. If savings come from market testing, this may indicate that the performance indicators were not working well. Established Agencies are tending to reduce the number of their performance indicators.

The examples given in this Chapter show that the range of choices open to the new Agencies are many and varied, although the information available does not always allow enough detail to enable helpful conclusions to be drawn. The next Chapter considers and compares the experience in the Planning Inspectorate and other Agencies, and comments on the progress of the Next Steps Initiative, before we move on to conclusions on the questions in Chapter 2.

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CHAPTER 10 - DISCUSSION

Chapters 4 to 7 and 9 set out the experiences of the Inspectorate and of other Agencies with examples relating to these propositions, in the context of a typology which relates to their executive functions. In this Chapter, these experiences are compared and discussed, before we move on to the conclusions.

The Next Steps Initiative and the Prior Options Reviews

The government, by introducing the Next Steps Initiative on a non-statutory basis within the existing central civil service, appears to have changed the approach to the provision of executive services more rapidly in the 7 years since 1988 than would have otherwise occurred. As we have seen, 62% of all civil servants were employed in 102 Agencies by 1994, with a further 64 organisations being seriously considered as candidates for Agencies (Chapter 8). In those terms, the Next Steps Initiative is a considerable success.

The initial impact in at least some of the new Agencies appears to have been identifiable improvements in service, greater freedom for local managers, more information about aims and responsibilities and making posts available to both those within the civil service and from outside (Chapters 5, 8 and 9).

The typologies and in particular that related to the functions of the Agencies referred to in Chapters 1 and 9 do appear to be relevant to how some Agencies have progressed.

The effect of the Next Steps Initiative should be more apparent when the function has previously been managed on a traditional basis, where the impact of concentrating on business principles such as value for money, performance indicators and targets, efficiency and volume of outputs should be greater (Chapters 2, 5 and 9). Here, so much must depend on the way new systems are introduced.

One of the aspects of the traditional civil service which the Next Steps Initiative sought to change was the lack of opportunities for staff to utilise their energies and innovations to revitalise the organisation (Chapters 1 and 2). As we saw in Chapter 9, many Agencies have found opportunities to do this.

In this respect, it is important that framework documents should be reviewed, since these "contracts" are inevitably drawn up before the potential Agency has developed its strategies and discovered, at least in some cases, what opportunities are available to improve its service; for instance, to offset costs by marketing products or extending services (Chapters 8 and 9). It seems not entirely accurate to say that such opportunities are less likely to arise in regulatory Agencies such as the Planning Inspectorate, which has quasi-judicial functions and statutory rules (Chapter 4). It is

clear from Chapter 9 that other regulatory Agencies such as the Patent Office and Companies House have been able to do so.

The typologies to which an Agency can be assigned give an indication of whether it might be suitable for privatisation or other treatment when its functions are re-examined during the Prior Options Review. The evidence so far indicates that the customers are likely to resist the transfer of an Agency with a regulatory function, whereas other Agencies with research functions or already competing with commercial firms may move into the private sector if there is not too much opposition from its customers (Chapters 1, 8 and 9). We have seen this reaction to the Prior Options Review in the Inspectorate (Chapter 7).

The re-opening or, in some cases, the raising for the first time, of the possibility of privatisation as part of these Reviews may be very disruptive. It will be interesting to see if these customer interests are given an increasingly high profile in these examinations in accordance with the precepts of the Citizens' Charter as happened in the Planning Inspectorate.

Open government and the Citizens' Charter

The Citizens' Charter have many similarities to the ethos underlying the Next Steps Initiative. For this reason, it is very difficult to disentangle what effects in the new Agencies are due to one and what to the other. At least one can comment that the Charter's

introduction some 5 years after the advent of the Next Steps Initiative reinforced the "user-friendly" aspects of the latter.

The government seems to have considered that the benefits of the customer-favourable approach justified extending it to the central Departments and to other parts of the public service. The surveys done by the Inspectorate confirm that customers want both a speedy outcome and a friendly and approachable style from the civil servants they encounter (Chapter 6); neither of these views is unexpected. Investigations in other Agencies (Chapter 9) show, not surprisingly, that proposed reductions in service standards are likely to be resisted.

At present, the Agencies are not required to demonstrate formally that they are listening to suggestions made by their staff; this seems to be an area where it is very much left to the individual Chief Executive Officers to make use, or not, of the ideas which their employees can provide (Chapter 9). As it has to be shown, under the Citizens' Charter, that the views of the external customers are being considered (Chapter 1), it may be that a similar approach is needed to show that the internal dimension is being accommodated as well. Where a significant proportion of an Agency's staff work from home, as in the Inspectorate, improving internal methods of communication must be particularly important for this reason (Chapter 4).

The reader will have noted the frequency of the references to "customers" made in the Chapters about the Agencies. Asking the customers of an Agency what their priorities are is one way of redirecting the targets towards more effective ways of improving the service being provided. This contrast strongly with the situation in the Planning Inspectorate in the period up to the 1980s just before the Next Steps Initiative began.

Having the targets overseen by the parent Departments, the Treasury and the Office of Public Service and Science, and monitoring the targets regularly, should also be promoting consistently higher standards, and the changes which have taken place over the past 5 years show that some progress is being made in this direction (Chapters 7, 8 and 9).

It may be that a greater involvement of the "customers", or their proxies in the form of representatives of interest groups (Chapter 2) as in the Inspectorate's Advisory Panel (Chapter 7), could be the means of maintaining the pace of change to meet new demands and resolve conflicting priorities. This would also be consistent with the ethos underlying the Citizens' Charter.

Market testing

Market testing is also clearly relevant here, although it places heavy demands on management time and resources, which inevitably must be reflected in extra costs (including monitoring any contracts

placed) or in opportunities foregone to make progress in other areas (Chapter 8).

The Second Report on the Citizens' Charter said that the total value of new commitments to market testing was £830 million, involving 35,000 staff (Cabinet Office, 1994, and Management Matters, May 1994). Savings have been about 25% of the previous cost, whether the in-house team "won" or not. The price has been the loss of confidence by staff in their security of tenure and, to some extent at least, in their "vocation" as public servants.

The proportion of work being done by contractors does not necessarily remain the same even if no new functions are contracted out. For instance, in the Inspectorate the number of contract staff needed varies depending on authorisation by the Treasury and the Department for salaried recruitment and the amount of work suitable for less experienced staff, as well as on decisions on how IT development will be taken forward (Chapter 7).

One of the most effective ways of requiring an Agency to reassess its operations and consider contracting out seems to be the productivity targets which reduce the available funds annually on an ongoing basis. This control, being imposed across the whole of the civil service (Chapter 2), requires the Agencies to find ways of limiting costs and seek more cost effective ways of operating, under the "supervision" of the parent Department. It also echoes relevant

practices in the world outside the civil service in which private firms operate (Chapter 1).

The difficulty in the future will be, firstly, to know when the irreducible minimum cost of carrying out an Agency's activities has been reached and, secondly, to then find some new way of promoting efficiency and effectiveness in what will continue to be a changing context for any Agency. As we saw in Chapter 7, the Department and the Treasury may have to agree to provide extra funds if serious delays are to be avoided in a demand-led organisation such as the Planning Inspectorate.

Accountability

It does appear that the Next Steps Initiative has extended the concept of accountability to more people (service users, customers, and to some extent interest groups, for instance), and in more situations, than the original responsibilities of Ministers and civil servants to Parliament could possibly have done (Chapter 2). One could also add that the Initiative has achieved this in a remarkably short time-span.

This is an area where the Planning Inspectorate was in advance of other Agencies as far as their professional staff were concerned. As to whether accountability has improved, if openness is important, then certainly more information is now being made available in many

Agencies (Chapters 8 and 9), and that again echoes the practice in the Inspectorate (Chapters 6 and 7).

One of the changes now taking place is some re-orientation of the accountability of administrative civil servants within the new Agencies, who previously looked to the Secretary of State and Permanent Secretary, rather than to the head of their part of the organisation and the customers they service. We saw the contrast between the different approaches in the Inspectorate (Chapter 4). It may be that the less certain employment framework in the civil service as a whole may promote a different view by administrative staff within the executive units (Chapter 8 and 9). This is an aspect where the style and personality of the Chief Executive Officer may be significant.

We saw in Chapter 6 that the managers in the Inspectorate still tend to act through committees rather than assuming personal responsibility for a particular function. This contrasts with one of the intentions of the Next Steps Initiative and the practices developing in, for instance, HMSO. The fact that line management responsibilities are restricted (Chapter 4) and that devolved budgets are very limited in scope due to professional autonomy (Chapter 7) does not necessarily mean that individual responsibility cannot be assumed for other duties.

The National Consumer Council's minimum conditions for accountability are standards to be aimed for (Chapter 1), but it seems unlikely that

many Agencies are meeting them all at present. An interesting aspect of these is the proposal that there should be sanctions for non-observance (Chapter 1), although it is not clear what these should be, particularly in a quasi-judicial organisation.

Chief Executive Officers coming from outside may be less familiar with the requirements of public accountability, and perhaps more needs to be done to explain civil service procedures to them, and ensure adequate monitoring (Chapter 8). However, people need to be allowed to make legitimate mistakes without being ridiculed, if a less risk adverse culture is to develop in the civil service (Chapter 2). Indeed, it could be said that many of these considerations should also apply to policy staff in central Departments in the context of the Citizens' Charter and more accountable government.

Control

Inevitably the new Agencies are formalising procedures at a rapid rate, which is taking up management capacity and reducing the percentage of staff time being spent on the role for which the organisation exists. These greater "overheads" may to an extent be unavoidable, as we have seen in the Inspectorate (Chapter 5), but it could be a useful marker for all Agencies to show what percentage of staff time is spent on its primary tasks, and what on demonstrating adherence to service wide requirements such as the financial regime, changes in pay and grading and personnel management, for instance.

Comparisons between Agencies in this respect could be illuminating, providing that the character of each Agency's role was made explicit.

As the Next Steps Initiative has been introduced within the established pattern of government, existing methods have been used in the new Agencies too - Treasury supervision, patterns of accounting and finance, reporting to Department managers, audits by the NAO, for example. However, too much "harmonisation" of procedures and practices between Agencies may need to be resisted, if each is to develop the most effective way of meeting its particular obligations and responsibilities, especially where these have very special characteristics which have been recognised by independent observers (Chapter 4).

The traditional financing of Agencies on an annual basis, which prevents them planning ahead and fully taking into account the long term consequences of the various alternatives available to them, seems to be a major stumbling block to the most effective use of public funds in the Planning Inspectorate and other Agencies (Chapters 7 and 8). This is a particular problem for Agencies with a variable workload, as is the rule that money cannot be transferred between contract and salaried budgets.

Agencies with at least some income from their activities can adopt a more flexible approach and, for those who have achieved a self funding situation, the Trading Fund status gives the opportunity to act more as a private sector company would (Chapter 9). It is,

however, interesting to see that one of the most successful Agencies in turning around its financial situation, the Historic Royal Palaces, does not have Trading Fund status, and appears to be managing very well without it. That Agency does, however, have a regular and rising income.

Trying to make sure that the targets are not only sufficiently stringent, but are also relevant and covering a sufficient range of issues, appears to be one of the most difficult areas to get right. It appears doubtful that the OPSS - a small organisation with an ever increasing number of Agencies to supervise - has the ability to do this, and the relevant central Departments are getting smaller.

The Planning Inspectorate's approach of having a Panel of professional "users" monitoring quality may be one way forward on this (Chapter 7). At one extreme, the targets can be so simplistic as to be almost meaningless. At the other, they can be numerous but, in practice, only repeat statistics which the organisation had collected in any case before Agency status (Chapter 8).

In a demand-led regulatory Agency "business" such as the Inspectorate, it can be easy to label existing statistics as numerical targets (Chapters 2 and 8) because quality targets are more difficult to devise (Chapter 7). Devising appropriate performance indicators is crucial, as the Advisory Panel for the Planning Inspectorate has said (Chapter 7).

The evidence appears to indicate that Agencies have the ability to improve their performance over time, as shown by the higher standards being progressively required by the targets in the annual business plans and monitored in the Next Steps Initiative Review. Such targets can, of course, be manipulated by being less demanding initially than can be achieved with the available resources, so they can be achieved, for the first few years at least, without pain.

The pattern of re-assessing the performance against targets on a yearly basis in Business Plans and Annual Reports (Chapters 7 and 8) may well mean that efforts go into making sure they are met, to the dis-benefit of making improvements in areas which are not being monitored.

Any changes needing legislation, even though they might achieve a better service to the public or offer better value for money to the taxpayer, will be slow and likely to be difficult. This will be even more likely where the possibility of making charges for existing services are concerned.

The NAO and value for money

The financing system for Agencies is, of course, linked to the accountability for the money voted annually by Parliament. However, it encourages the tendency to spend any surplus towards the end of the financial year on short term projects, rather than encouraging a more strategic approach (Chapter 7).

Auditing can reveal, after the event, what has happened. But an Agency not spending the money voted for it runs the risk of getting a lower allocation for the following year, thus rewarding the more spendthrift rather than the prudent. None of this is new, but it is a symptom of how part of the regime under which Agencies operate has changed very little for the better.

The role of "external" observers, such as the Departmental sponsor, Advisory Panels, the Treasury and the NAO (Chapters 7, 8 and 9, can have some influence here. It must, however, be doubtful whether, even before the present emphasis on reducing the size of the central parts of the civil service, they could have sufficient knowledge of the processes involved to be aware of what all the most appropriate and effective targets should be at any particular time.

The NAO has, as we have seen, promoted the use of more detailed accounting methods in those organisations where they were absent before (Chapters 7, 8 and 9). Where a special NAO investigation is instituted, a more radical overview and assessment can be taken but this will always be a rare event bearing in mind the very considerable span of the organisations for which the NAO now has an auditing function (Chapter 8).

Elizabeth Mellon of the London Business School in her report to the Treasury and Civil Service Select Committee (1993) said that Agencies tend to ask for targets which they feel safe with, and aim only for those which they think they can achieve. However, it is too

simplistic to assume that an Agency such as the Planning Inspectorate relies more on numerical performance indicators for this reason, when IT is really needed for a more refined approach.

Better value for money for the taxpayer as one customer of government by charging for services has, as we have seen in the Inspectorate (Chapter 5) to be balanced against the possibly adverse effects of deterring recourse to government services and quasi-judicial procedures by appellants as other customers because of the costs to be paid. The advent of charging for some court services (Chapter 7) may be used in future as a justification for changing the previous policy.

Relationships with Departments

However, some of the difficulties which have arisen have had little to do with the nature of an Agency's business, and much more to do with matters common to other parts of the Departments and unconnected with the Next Steps Initiative. Perhaps it is true that:

"the performance of any organisation improves in proportion to its distance from political control.

(from "Is politics compatible with management ?", the Royal Institute for Public Administration Conference paper on Politics and Administration, Durham, 20 September 1986.)

We have seen that one of the problems, referred to by the Trosa Report amongst others (Chapter 8), is the tendency for some Departments to act as though little has changed as a result of the Next Steps Initiative (Chapters 7 and 8). In some cases, it seems to need service-wide initiatives by the Treasury, such as delegating pay and grading, personnel duties or accounting functions, to alter the established pattern. The most effective way of avoiding too much intervention by Departments appears to be already taking place - to reduce the size of the central core to reflect the responsibilities transferred to the new Agencies (Chapter 8). Pressures on staff time will therefore require choices to be made, and encourage a "hands-off" approach to all but the most strategic decisions.

Another aspect which is very difficult to quantify is the influence of the personality and inclinations of the Chief Executive Officers, whether they have previously been serving civil servants or not. Where, as in the Historic Royal Palaces, the Chief Executive Officer comes from a relevant background outside the civil service with a very clear vision of what is needed, very great improvements and changes can be achieved (Chapter 9).

The influence of the character and nature of an Agency's workload

It is difficult to be certain of the reasons which have prevented the Inspectorate from introducing some of the more user-friendly services now being promoted by other Agencies (Chapter 9). The professional autonomy of the Inspectors and the variable workload of the Agency

continue to affect the way the organisation operates (Chapters 4 and 6). Unlike some other Agencies (Chapter 9), the Inspectorate has not sought to streamline its administrative procedures on casework to any significant degree to balance staff resources.

It is perhaps inevitable that a quasi-judicial organisation will incline to a more cautious approach with regard to public relations and promoting the benefits of its activities, especially when it is coping with a rising workload (Chapters 4 and 7). The recent decision in the Inspectorate to publish a professional Journal (Chapter 7) is not, at present at least, seen as leading to any other marketing activities such as on-line services.

However, being a regulatory Agency as classified in the typology in Chapter 8 is not necessarily a negative factor. When the workload reduced in the Patent Office, a much more active stance towards publicity and innovation is seen. Companies House and, perhaps to a lesser extent, the Land Registry, have taken a similar approach.

It therefore seems reasonable to assume that the need to retain a minimum quantity of work in a function which is seen as being in the public interest can overcome any hesitancy which might arise about using various techniques to promote extra business. It appears that, even in less likely places such as the Defence Agencies, the pressures of balancing the books and minimising staff losses may have encouraged a more innovative approach to new markets (Chapter 9).

Where an Agency, such as the Planning Inspectorate, has a monopoly in its field, it would be surprising if the movement towards changes was seen to be as pressing as in those organisations which compete with the private sector, such as the Historic Royal Palaces Agency (Chapters 4 and 9). Again, where an Agency has had a long history of retailing its services to the public, such as HMSO, the Royal Mint and the Ordnance Survey have for instance, more pro-active measures are likely to be taken than in a part of government which has previously had little or no experience in that area.

The Next Steps Initiative Agencies have seemed in most difficulty in adapting to their new status where they have been exposed, sometimes at very short notice after being established, to the cold wind of change or competition from the private sector. In that situation, they have fared no better than a private firm would do, and perhaps worse (Chapter 9). In particular, it seems possible that the short term basis of planning for civil service financing on a year to year basis may have prevented them from coping better with problems created by the recession or competition (Chapter 2).

Summary

There have been significant changes and innovations in many Agencies as a result of the Next Steps Initiative. Overall, the bureaucratic approach seems to be out of favour, and the changes appear to be, in the widest sense, in the public interest. However, the financial systems used in many Agencies at the behest of the Treasury, as well

FIGURE 10.1 - Progress of the Planning Inspectorate

Before Agency	Questions to be answered	After Agency
<p>Franks' principles being implemented of openness, fairness and impartiality</p> <p>Limited performance targets</p> <p>Limited surveys of customers in the late 1980s</p> <p>Informal procedures available</p>	<p>Open government and the Citizens' Charter</p> <p>Open government; the Citizen's Charter, and Performance Indicators</p> <p>Does the organisation deliver what its customers want</p>	<p>Open approach continues</p> <p>Tending to re-label existing statistics as performance indicators and not measure quality accurately</p> <p>Surveys of customers increased</p> <p>Advisory Panel introduced</p> <p>Delays occurring in appeal workload</p>
<p>Some professional contract staff</p>	<p>Market testing</p> <p>Contracting work out; and market testing</p>	<p>Additional contracting out being considered, but percentage overall may vary due to caseload and use of specialist staff</p>
<p>Open professional approach was explicit</p> <p>Inspectors had independent responsibility; administrators did not</p>	<p>Accountability</p> <p>has the context of accountability changed</p> <p>has accountability and responsibility been devolved within the organisation</p>	<p>Interest groups now formally consulted</p> <p>Managers still tending to act as a committee rather than individually on relevant matters</p> <p>Senior managers' accountability for Inspectors limited because of nature of their role, and budgets cannot be devolved because work allocated by others</p>
<p>Annual financing prevents adapting to short term variations, and long lead time for training not met</p>	<p>Control</p> <p>Is there an inherent conflict between formal control and using the most effective methods</p>	<p>No transfer of funds between salaried and contract/fee paid staff</p> <p>System not adapted to a variable workload</p> <p>Legislative changes slow and difficult</p>
<p>Used Department of the Environment methods</p> <p>Very limited use of Information Technology</p>	<p>The NAO and value for money</p> <p>Has control over public money improved</p>	<p>Treasury annual accounting system restricts effective forward planning of staff resources</p> <p>More detailed accounting methods introduced at the behest of the NAO</p> <p>Slow introduction of Information Technology</p> <p>No charging for processing casework</p>
<p>Professional decision making</p> <p>Personnel and finance not devolved</p> <p>Department of the Environment had typical civil service pattern</p>	<p>Relationships with Department</p> <p>Has the Department devolved functions</p> <p>Have the duties of central civil servants altered</p>	<p>As required by Treasury on personnel and pay and grading, and accounting</p> <p>Department still taking detailed interest in Agency affairs</p> <p>Reduced staffing now being introduced in central Department</p>
<p>Administrative pattern similar to Department, but Inspectors independent</p> <p>Choice of 3 appeal procedures before Agency status</p>	<p>Character and nature of the Agency's workload; and does the Next Steps Initiative affect professionals and administrators differently</p> <p>Is the Inspectorate still very different from the Department</p> <p>Is the Agency innovative</p>	<p>Still much more professional autonomy and variable workload</p> <p>New journal proposed, but not use of decision letter "collections"; no on line services</p> <p>No change to administrative procedures or balancing of staff resources</p>

as in some cases political decisions, have limited the extent of the improvements which can be made.

Ronald Reagan, the former American President, once said that governments tend not to solve problems, only re-arrange them. Without change, we should remember that the first Project Manager said that all that would occur in the Next Steps Initiative would be "badge engineering" (Kemp, 1990). Some observers feared at the outset that this might be the fate of the Next Steps Initiative as far as the strategy of the Cabinet Office was concerned. In that no very major changes have occurred in the Planning Inspectorate, this could be a reasonably accurate description of the effect of the Initiative.

Bearing in mind what has been achieved in other Agencies, Figure 10.1 sets out the various propositions referred to in the Introduction to this thesis, under the headings used in this Chapter recording the situation in the Planning Inspectorate before, and then after, Agency status. In the final Chapter, we use the same headings to consider the achievements to date in the Next Steps Initiative, the problems which remain to be resolved, and the implications for the Planning Inspectorate.

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CHAPTER 11 - CONCLUSIONS

This study has sought to use the practical experiences in some of the new Agencies, together with literature and articles about the civil service and the Initiative, to examine a particular aspect of the new system and one Agency's progress (Chapter 3). There are many other ways in which the Next Steps Initiative could be studied.

However, having the opportunity to use my knowledge of how one Agency with a rather unique role had progressed under the Next Steps Initiative indicated that comparisons with those Agencies which had some similar characteristics, and the most innovative practices adopted in others, would give a useful approach. No study can, of course, be more than a limited view in a field where experiences and the literature are developing on a daily basis. Further, as mentioned earlier, the amount of information being published by government and the Agencies can never give a full picture of what is occurring.

As explained in Chapter 3, the methodology used has been to refer to relevant literature, carry out a series of interviews, and use the experience of the Planning Inspectorate to examine traditional civil service methods, and the changes which have come about through the Next Steps Initiative over the past few years.

FIGURE 11.1 SUMMARY OF QUESTIONS RAISED IN CHAPTER 2

The questions which arise in considering the introduction of the Next Steps Initiative can be summarised as:

the consequences of the way in which the Initiative was introduced, without statutory measures, and the effect of the Prior Options Reviews;

whether the Initiative itself has led to more open government (bearing in mind also the advent of the Citizens' Charter);

the effects of competition and the advent of market testing;

possible changes in the scope and allocation of accountability, including the role of the "customer";

the control of Agencies' activities, including the effect on the autonomy of the Chief Executive Officers, the role of accounting systems, of performance indicators, and fluctuations in workload; and the effect of the productivity requirement introduced by the Treasury;

the effect of supervision by the NAO, and whether the advent of the Initiative has led to better value for money;

the relationships between Departments and Agencies; the relevance of traditional civil service methods; the relevance of the type of casework or demand for an Agency's services, and whether professionals will be affected differently from administrative staff.

The introduction to this thesis noted that the Next Steps Initiative is usually designed to separate the executive and policy roles of central Departments; to promote the use of relevant practices from private industry to improve value for money, whilst retaining accountability to Parliament and increasing efficiency and effectiveness. The Initiative also seeks to extend accountability and responsibility to named officials at lower levels in the civil service hierarchy. The objective of the transfer to Agency status is to bring about better management, better value for money, and a better service to the public (Chapter 1). Other service-wide innovations such as market testing and the Citizens' Charter are directly linked with this.

In this concluding chapter, the background outlined earlier, and the information on individual Agencies in Chapters 4 to 9 together with the discussion in Chapter 10, are used to consider the questions posed at the end of Chapter 2. For convenience of reference, these are repeated in Figure 11.1.

The Next Steps Initiative, and the Prior Options' Reviews

Compared to the way in which the civil service had traditionally operated (Chapter 2), it was said at the outset that the Next Steps Initiative would be a quite different way of conducting the business of government (Improving Management in Government, 1990).

However, in practice, the consequences seems to have been to put the mainly executive functions into more separate units rather than to create new freedoms for the managers of those units. Although some functions have been devolved from the centre of the Departments to their Agencies, the scope for change has been limited by the desire of the Treasury and the parent Departments to oversee and control many of the aspects of the new Agencies which might allow innovation and change.

As the Next Steps Initiative was introduced very quickly (Dunsire, 1995), there was only a brief examination of the alternative options available for carrying out each Agency's activities and duties at that time. The Prior Options process in reviewing these operations after three years is therefore significant (Cabinet Office Efficiency Unit, 1991), but it may lead to more upheaval for civil servants if different choices are made for the future of any organisation.

The experience of the Planning Inspectorate in introducing new procedures, initially by informal means, confirm that avoiding the need to legislate can mean more rapid, and perhaps more effective, change. The practice at the time the Initiative began (Gray and Jenkins, 1995) was not to consult "outsiders" on how the civil service was organised, and this plus the absence of legislation (Chapter 1) probably explain why there was little or no public consultation before the new Agencies were created (Chapters 2 and 8).

The customers and other outside organisations have been involved much more with the current review processes in the Next Steps Initiative (Chapters 7 and 9). One consequence has been that the government's preference in some cases to privatise or otherwise alter the status of established Agencies as a result of the Prior Options' process has been contested, in some cases successfully, by the customers exercising their rights to have their views taken into account under the government's move towards more open government (Chapter 9). This has been so particularly where the Agency has a quasi-judicial role and the issue of impartiality has arisen (Chapters 7 and 9).

Before the Initiative was introduced, the role of staff in Departments were only rarely defined. There does appear to have been a tension between about revealing information in advance of decisions being made, and concern about flexibility and security in the first years of the Initiative (Kanter, 1989). This was shown by the late disclosure of framework documents (Chapter 8) to one of the Select Committees of the House of Commons (House of Commons Home Affairs Committee, 1990-1), although perhaps the civil servants would be less secretive now than several years ago.

The framework documents are in practice forming a written constitution for the Agencies (House of Commons Home Affairs Committee, 1990-1). Their common features (Chapters 5 and 8) have brought some consistency in practices between individual Agencies, as do the responsibility of the Treasury and what is now the Office of

Public Service and Science in overseeing the creation of the Agencies and their activities once established.

In general, this appears to be beneficial provided that the best, rather than the easiest, practices are promoted. However, too much consistency would be unlikely to permit Agencies to operate in the most effective way, bearing in mind their very different roles and the needs of their customers (Chapters 1, 5, 8 and 9).

Open government and the Citizens' Charter

In order to assess the effect of the Next Steps Initiative on the various Agencies, it is first necessary to deal with these procedures and requirements which have been introduced service-wide. Since the management of government functions can never be static (McDonald, 1992), an accurate assessment of the impact of the Next Steps Initiative must be complicated by the more recent innovations of the Citizens' Charter and market testing (Chapter 1). Both potentially limit the autonomy of the Chief Executive Officers of the new Agencies to manage their largely executive functions (Chapter 8).

The Citizens' Charter appears indeed to be a form of substitute democracy (Dunsire, 1995) by including customers of government services and professional observers such as the Inspectorate's Advisory Panel (Chapter 7) in commenting on how they are delivered. As the Next Steps Initiative preceded both the Citizens' Charter and market testing, it is reasonable to assume that where either has

features in common with the Initiative, the government saw benefits arising within the Agencies that could usefully be extended to the rest of the civil service and other bodies serving the public.

Customer-friendly initiatives are particularly visible in the executive Agencies, which tend to deal more directly with the general public at large than do most central policy divisions in Departments.

There seems to be a need recognised in many Agencies to release creativity (Hunt, 1986). The practical results of involving customers (Chapters 7 and 9) show that the more open approach to government processes and decisions which is part of the Citizens' Charter (Chapter 1) does have a positive effect. As the Charter has been introduced for Departments and Agencies alike, it is not always possible to say where the Next Steps Initiative ends and the Citizens' Charter begins as far as their effects on some Agency operations are concerned.

The extent to which a more open "private sector" approach can increase business for some Agencies (Chapter 9) shows that those who originally proposed the new Initiative were not too optimistic. What is not clear from the limited information available is whether the Treasury always fully appreciates that some options for income and innovation are closely related to the purpose for which the Agency was created, or that there is a need to plan ahead, for instance in Agencies where the staff need training over a period of several years. Without this, delays can build up in dealing with a variable

workload, as we have seen in the Planning Inspectorate (Chapter 7). The type of assessment and control which the parent Department uses should accommodate the same characteristics.

The fact that, as in the Inspectorate, the overheads levied by the parent Department are now made more explicit is another aspect of more open government. However, such changes cannot be credited to the Next Steps Initiative on its own, and the Citizens' Charter itself is a costly exercise (The Prime Minister, The Chancellor of the Exchequer, and the Chancellor of the Duchy of Lancaster, 1994).

The ethos of the Franks' Committee's principles (openness, fairness and impartiality: Chapter 4) mean that the Planning Inspectorate has been endeavouring to provide a more open approach for more than 35 years. For this reason, the impact of the Citizens' Charter and the more open and accountable approach which is part of the Next Steps Initiative has been less significant in the Inspectorate than in many other Agencies. Changes since Agency status have related more to matters of detail, such as simple target times for answering telephones and replying to correspondence (Chapter 7).

Whatever the function of an Agency, the introduction of the Citizens' Charter will have overlapped with procedures which an efficient and forward looking Chief Executive Officer might have introduced on his or her own initiative (Chapter 9). Their personal responsibilities to demonstrate progress and meet targets (Chapter 8) should have hastened the introduction of changes, such as customer surveys, which

might have taken much longer to achieve if the functions had remained within the central core of government Departments. However, there is always the danger of labelling existing statistics as performance indicators which do not necessarily promote service quality or effectiveness.

The annual meetings between Chief Executive Officers, which give them opportunities to exchange experiences and harmonise their procedures where that is relevant, have reinforced the comprehensive approach which the Citizens' Charter is intended to promote (Chapters 1, 2 and 8). To that extent, it is probable that the Initiative has led more rapidly to more open government throughout the civil service than would otherwise have been the case.

Market testing

Market testing is, like the Charters, also a feature which Departments and Agencies have in common as a continuing requirement (Chapter 1). The responsibility of all government organisations to show that they get value for money (Chapter 1) and their ability to "buy in" services where that can be justified could be said to be a form of market testing, which may reduce the costs to the taxpayer.

Some savings have undoubtedly been achieved in the provision of executive functions as a result (Management Today, May 1994). One of the disadvantages has been the upheaval and loss of confidence for

civil servants whose jobs have been tested, even if the work in the event is retained in-house. Market testing could also remove the learning process of direct experience from central government, which could handicap those civil servants in controlling the operations in the future.

One possibility which has been excluded is what might have happened when the contracts come up for renewal. The government has decided that a team of civil servants from an Agency or central Department is not allowed to bid to reclaim the work even if their bid might have been lower than any contractor can make. Otherwise, that could have led to some of the contractors then being hired as civil servants as part of the in-house team.

The cost of the testing processes, and of the supervision of outside staff if the internal bid is not successful, can be very high as we saw in the Home Office (Chapter 1). Yet as the size of central Departments is being reduced, adequate supervision may not be possible, and the NAO's concerns about the level of control (shared by the Public Accounts Committee of the House of Commons) could be justified (Chapter 8). There is no obvious solution to this as yet.

Savings comparable to those in local government may be possible (Economist, 2 May 1992). Perhaps the greatest benefit which market testing offers is the sharpening of people's attitude to costs, whether the services are contracted out or not. If the Prime Minister's target of market testing 30% of Departmental/Agency

business (Chapter 1) is met in due course, market testing will have had a major impact on the organisation of government.

One aspect of employing people, as in the Inspectorate, for an independent function based at their homes is to reduce costs (Chapter 7). If this approach were to be extended to the staff of other Agencies, it would not be too difficult to quantify the financial implications, and could be seen as one alternative to saving costs by market testing.

The evidence does not indicate any significant difference in the progress of the Planning Inspectorate in market testing compared to other Agencies, except that the use of contract Inspectors considerably pre-dated the introduction of Agency status (Chapter 4). As we saw earlier, employing contract Inspectors was related to the need to accommodate a fluctuating workload in the context of restrictions on the employment of full time staff, rather than to any matter of principle. In that sense, the Inspectorate anticipated current restraints being imposed on the civil service as a whole (Chapter 8). However, the increase in the number of contract Inspectors would depend on the nature and size of the various caseloads at a particular time and the need to retain a core of full-time expertise.

It is likely that the changes due to market testing might not have been very different in the absence of the Next Steps Initiative, since the requirement to introduce and continue the innovation has

been imposed on Agency Chief Executive Officers by their parent Departments, reinforced recently by the interest of the European Community in this aspect of modern government (Chapter 8).

Accountability

The introduction of the Next Steps Initiative was in part intended to improve accountability to Parliament through Ministers, by generally separating policy development and strategic management from operational tasks and direct responsibilities for executive functions (Chapters 1 and 8), in a government "machine" which was seen as too big and diverse to be managed as one unit (Fulton Report, 1968). The consequent innovation of the Citizens' Charter has overlapped with this, and widened the accountability of Chief Executive Officers to the customers and other groups for an Agency's services (Chapter 8). Thus it has become more difficult to ascribe particular changes to the Initiative rather than to other factors.

As we saw earlier in this Chapter, the more open approach adopted in the Prior Options' Reviews has given power to an Agency's customers so that they are sometimes able now to influence its future status (Chapter 9). The same may happen as a result of the influence of groups such as the Advisory Panel on Standards in the Planning Inspectorate (Chapter 7). This may not necessarily be an outcome which the government foresaw as part of the Review process, or indeed intended if it prevents further cost reductions. It could however,

at least as far as the public are concerned, be said to be a form of substitute democracy (Chapter 2).

The framework documents do have a key role (House of Commons Home Affairs Committee, 1990-1) in ensuring that the devolution of responsibility and the greater freedoms conferred by Agency status do not compromise accountability. Although the details included in them do vary to reflect the particular functions of the Agencies, the documents seem to be fulfilling the function of being publicly available contracts which make the purposes of creating an Agency explicit (Chapter 8).

The framework documents, together with the Business Plans, Corporate Plans and Annual Reports (Chapters 5 and 8), give Departments and the Treasury a means of identifying change and making some assessment of how well individual Agencies are demonstrating their accountability to Parliament and to Ministers (Stowe, 1992). However, the present methods of deciding why performance indicators are to be chosen, in as far as there are any (Chapter 7), are probably an inaccurate means of showing what progress has been made. It may be that specialist "target setters", perhaps from outside government, are needed to devise the appropriate performance indicators for each Agency.

There are considerable limitations to Parliamentary control by Select Committees (Davies and Willman, 1991). As we saw in Chapter 8, now that Members of Parliament have made sure that information is more readily available to them about Agencies, there is the potential for

the House of Commons to take a more active interest. However, constraints on Members' time may mean that little changes in practice, unless a specific body is set up and funded for this purpose (Kemp, 1993).

The intention is that the Chief Executive Officer will, for most practical purposes, be the person held to account (Chapter 5 and 8). However, the fact that two commentators commissioned by government have said that the relationship between the Chief Executive Officer and the Permanent Secretary as Accounting Officers to Ministers and to Parliament needs clarification (Trosa, 1994 and Massey, 1995), is significant, at least in traditional terms (Chapter 2). In practice, it may matter less (Chapter 6) provided that the information is available, and action can and is taken when problems arise.

Chief Executive Officers from outside the civil service may need to be more aware of the implications of accountability in government (Purnell, 1994). Exceptions to this accountability, at least in theory, is those Agencies such as the Planning Inspectorate where individual civil servants are intended by statute to take decisions entirely on their own on the basis of openness, fairness and impartiality (Marshall, 1984).

However, this situation has not been created, only continued, within the Next Steps Initiative (Chapter 5), although it did anticipate the approach which the Initiative encourages within Agencies as a whole, of reducing senior managerial control in favour of devolving

particular duties to named individuals further down the line (Chapter 8). More commitment and effort are likely to be made where managers have more control over what they do (Richardson and Richardson, 1989).

It is also the case that a "hybrid" situation may exist, as in the Planning Inspectorate, where administrative staff still operate in a traditional civil service pattern (Chapters 2, 4 and 5), and the professional line management of Inspectors has to be limited to exclude interference in their decisions. This may affect the inclination of their managers to take responsibility. We have also seen how limited their budgetary responsibilities can be in this situation (Chapter 7).

The variety of performance indicators used in Agencies shows that the customers of an Agency, at least, can be added to those to whom a Chief Executive Officer is effectively accountable or responsible (Chapter 9). This tends to be confirmed by the characteristics of modern government organisation observed by commentators (Chapter 2).

In that Inspectors see themselves as being responsible both to their "customers" for planning appeal decisions and to Ministers in whose name they act (Chapter 4), that can be seen as foreshadowing this approach now developing within the Next Steps Initiative.

However, a continuing emphasis on open government and freedom of information is needed if accountability to the public is to be

demonstrated fully, particularly where the Agency has a monopoly (Chapters 1, 8 and 9). At least, this emphasis can be seen more frequently in the new Agencies than in the central core of government Departments, and the Next Steps Initiative can take credit for that.

Frequent references to the "customer" are, as we have seen, a common feature of the Next Steps Initiative, and there are many examples of their being consulted on what they want from Agencies (Gliniecki, 1992). Customer surveys (Atkins, June 1993 and Atkins, December 1993) are one way of showing whether Agencies are demonstrating accountability to their needs (Chapters 6 and 9). New innovations such as the Advisory Panel on Standards introduced for the Planning Inspectorate (Chapter 7) may be another way that the customers' interests can be taken into account.

The more traditional accountability to the legislature in Parliament (Stanyer, and Smith, 1976), remains, and is monitored by Select Committees, by the National Audit Office and, occasionally by the Ombudsman (Chapters 1, 2, 7 and 8). However, the time and resources available to them being limited, there seems little likelihood of more detailed control over all Agencies by these means on a continuing basis.

Too much emphasis on structures (Gray and Jenkins, 1985) rather than on desired outcomes may absorb too much staff time, but many, if not most, of the minimum conditions for accountability listed by the National Consumer Council (Chapter 2) are being met in the new

Agencies. Perhaps the difficulty which remains, although perhaps less so within an Agency such as the Planning Inspectorate dealing with quasi-judicial functions, is that the standards and ethics essential to the operation of the civil service are not seen by the Treasury and Civil Service Select Committee as being well understood by the civil servants (Chapter 2).

Finally, there is the possibility of the chain of accountability being changed by outside influences. The current challenge in the European Court to the status of a planning inspector, if successful, could require Ministers and Parliament to decide that the Planning Inspectorate should be moved to become a more independent organisation, distanced from political control (Chapter 7). The increasing influence of Europe may mean that aspects of the other Agencies in the Next Steps Initiative also come under similar scrutiny in due course.

A change in status for the Planning Inspectorate would probably be seen by those favouring the traditional role of the civil service (Chapter 2) as a negative step, taking the Inspectorate Agency further away from political control (Chapter 2) and the executive role of other Agencies towards the judicial functions of the Courts. This is not a situation which is likely to arise for many Agencies. However, it could be viewed as the opposite end of the spectrum to those Agencies who have been privatised (Chapter 9).

Control

There is little evidence that the Treasury is being too permissive (House of Commons and Civil Service Committee 1991) and much more that very limited autonomy on financial flexibilities is being delegated (Hennessy, 1989). It appears likely that the Treasury should be seeking solutions in many cases, rather than what is seen as flaws (Cabinet Office Efficiency Unit (1991)).

It may be unfair to say that finance dominated negotiations on the framework documents (Goldsworthy, 1991) and there is of course a need to establish what the costs of government are (Boston, Martin, Pallot, and Walsh, 1991). There must be a need to define the task of each Agency (Chancellor of the Duchy of Lancaster/Office of Public Service and Science, 1994) but there is also a need to encourage enterprise and innovation by discouraging risk adverse behaviour (Tomkins, and Colville, 1989) since the success of the Next Steps Initiative depends on the improvement of performance by the Agencies (House of Commons Home Affairs Committee, 1990-1).

One aspect of the Next Steps Initiative which has not been apparently been subject to monitoring is the cost of creating the Agencies (Chapter 5). Nor is it clear whether the expenditure needed every year for the Departments supervising each Agency is always being quantified. These costs may balance out with subsequent savings made, but it is likely that the "birth" of the first Agencies was expensive. Even for later arrivals such as the Planning

Inspectorate, the processes leading to Agency status will have diverted energies and money which could otherwise have been used elsewhere. All that can usefully be said is that, in the longer run, those costs may be recovered by greater efficiency and effectiveness, not to mention value for money for the customers of each Agency.

One aspect of control sought by the Next Steps Initiative is more personal identification of the budgets assigned to individual civil servants, delegating responsibilities, and the ability to call to account, staff at lower levels in the hierarchy than before (Chapter 1). However, as we saw in the Planning Inspectorate (Chapter 7), sometimes responsibilities cannot be assigned to individuals because they have no real power over the work being done by those on whom they report. To allocate responsibility otherwise would create a false certainty.

The autonomy of Chief Executive Officers over their Agencies is clearly limited by the need for accountability and the controls seen as necessary by the Departments and the Treasury. For instance, funds cannot be transferred to pay full-time salaried rather than contract staff (Chapter 7). Their responsibilities for their more senior staff are also less than absolute (Chapter 8) as long as the Departments wish to see senior Agency managers as a wider resource. That may prove to be a source of conflict in the future, depending on how reluctant or otherwise central staff are to move into Agencies for short periods during their careers (Chapter 2). It may not be the creation of the Agencies which is beginning to limit the movement

of civil servants between government functions; the general government intention to limit the size of the civil service and restrain public expenditure may be much more significant (Chapter 8).

Another aspect of control is the incorporation into the framework documents, and annual Business and Corporate Plans (Chapter 7 and 8), of performance measures and indicators. As we saw when looking at the Planning Inspectorate (Chapter 4), these "targets" pre-dated the Next Steps Initiative in some Agencies.

There can be a danger of concentrating too much on achieving targets and forgetting that the need is also to provide more efficient services overall (Stewart and Walsh, 1992). The emphasis should therefore be on improving the quality of the performance indicators (Chancellor of the Duchy of Lancaster/Office of Public Service and Science, (1994) as it has been since the early days of the Next Steps Initiative (RIPA/Peat Marwick McLintock, 1988). The question should be whether the desired results have been achieved (Day and Klein, 1987).

The level at which these targets are set are often linked to the amount of public money to be expended on a particular service or activity (Chapter 7), and therefore they are the consequence of decisions which are being made within the organisation or the Department about the use of resources mentioned in Chapter 2. If these indicators are set without recourse, at least from time to time, to user surveys, then the wishes of the customers are unlikely

to be reflected in the outcomes. However, it would be wrong to assume that a full range of choices can ever be presented to those surveyed, since in some cases these will seem to be infinite when resources certainly are not (Chapter 2).

However, at least performance indicators should be aids to management in Agencies and supervision by Departments. Properly chosen, they can make explicit the targets and levels of activity agreed between Departments and Agencies, and provide some measure of what can be achieved within a particular financial year (Chapters 7 and 9). Comparisons over a period of several years can also show that improvements are being made in productivity and customer service. The intention is that there should be a programme of continuous development (Goldsworthy, 1991). There seems, however, some reason for concern about the considerable variations between Agencies in the range and complexity of performance indicators (Chapters 2, 8 and 9), and how many are used, which may not always be related to the character of each Agency's activities.

The accounting methods used in the civil service can, as we have seen, inhibit making the most effective use of public money (Chapters 2, 7 and 8). The significant number of Agencies now using, or moving towards using, trading funds confirms that more useful financial controls are being achieved (Chapters 8 and 9). Concerns about Parliamentary control being diminished as a result should not be justified in practice if NAO supervision continues at an adequate level (Chapter 8).

It is part of the purpose of the Next Steps Initiative to promote change until it becomes an effective pattern across the Agencies (Bryson, 1988). It seems likely that these changes and improvements in the new Agencies would not have come about, all least as rapidly, without the introduction of the Next Steps Initiative (Chapters 8 and 9). However, where there is the need to obtain legislative backing for changes, this can involve a considerable delay.

The Treasury systems of accounting are not well suited to Agencies with a variable workload. One effect of a fluctuating workload is on the choice of performance indicators; carefully selected, these should be able to distinguish the reasons for such changes from the underlying effectiveness and efficiency of the Agency's management. Some Agencies have indicators which vary, for instance, through the seasons, to accommodate this (Chapter 9).

One change which has occurred is that financial arrangements, and Departmental overheads imposed on Agencies, are becoming more explicit and the reasons for them are sometimes being given (Chapters 7 and 8). Although these improvements must be viewed together with the need for most Agencies to appoint staff to take on, and to a more minor extent to duplicate, functions such as personnel, pay and grading, and accounting which the Departments used to handle, overall it seems likely that better control is now possible over this aspect of the Agencies' costs.

The standstill on government expenditure announced in November 1993, and the productivity savings being imposed annually by the Treasury have also been factors in making the new organisations more aware of the need to assess where their income is going and making savings (Chapters 2, 5 and 9). This emphasises the need to obtain a wide range of possibly small improvements (Wass, 1984) and to use an incremental and low-key approach as a way of avoiding resistance to change (Polidano, 1995).

However, as we have seen, the restrictions are laid on the civil service as a whole, although their outcome may be made more explicit in the details given in an Agency's Annual Report and Accounts than in the Departments. As mentioned earlier in this Chapter, market testing will also have made a contribution to productivity, although again not one confined to the Agencies.

The NAO and value for money

The supervision of the NAO has made a major contribution to the present financial regimes in the Agencies, since there are minimum requirements for the detailed systems needed before accounts can be audited by them. Information Technology useful for these purposes is far from universal to date (Chapters 7, 8 and 9). The future challenge may be not to require the provision of statistics or too many controls which would inhibit flexible and innovative management by the Chief Executive Officers.

As we saw in the Planning Inspectorate and other Agencies, the implications of bringing in charges or increasing existing fees for some government services may be difficult politically (Chapters 5 and 9), at least for a quasi-judicial function, even though that could overcome many of the problems of a fluctuating and demand-led workload. That dilemma will not go away, and is made more explicit by the emphasis in the Next Steps Initiative and the Citizens' Charter on more open procedures (Chapters 1 and 8). The introduction of fees could promote a search for a cheaper and simpler procedures for some work in order to reduce costs as well as speed decisions (Chapter 2). Both these aspects would benefit the customers, which would accord with the principles of the Citizens' Charter.

We have seen that the resources available to the NAO only normally allow for auditing accounts; the special projects carried out may be detailed (Roberts and Pollitt, 1994, and Hogwood, 1995), but will be rare. The greater challenge to the auditing profession in government is the assessment of the effectiveness of changes in the Agencies (Glynn, 1985).

It therefore seems that the burden of demonstrating value for money is being provided falls on the Agencies themselves and their supervision by the parent Departments. Departmental supervision is now a more uncertain area with the reducing size of the central core of Departments (Chapter 8). Not everyone will be as confident as Wraith and Lamb were able to be in 1971 about the value for money provided by the Inspectorate (Chapter 4). If outside "assessors" are

not to be introduced, this may be an area with problems in the future.

The real indicators of quality are very probably doing the routine things in an Agency well (Carter 1991). Many improvements to the ways the organisations work have been reported in the annual overview of their activities by the government (Chapter 8) and in each Agency's Annual Report and Accounts (Chapters 7 and 9). The Next Steps Initiative can be credited with many of these, or at least that they will have been achieved at an earlier date than would otherwise have been the case. Some, at least, are derived from practices in the private sector (Chapter 1) which the Initiative is intended to promote.

Some of these improvements have been achieved by the painful processes which have led to the privatisation of some Agencies, changes to the services offered by others, and major alterations such as staff reductions and moving offices to cheaper premises for others (Chapter 9). Serving civil servants will not regard these as benefits of the Next Steps Initiative but, if costs have been reduced and service levels maintained, the taxpayer may not share that view.

As we have seen, many more successful Agencies have adopted new working practices as a result of the various requirements and controls which have benefitted the public and fulfilled the aims of the Initiative (Chapter 9). The challenge to those who oversee the Agencies will be to make sure that this progress is maintained;

information technology, as we have seen, will have a significant role here (Muid, 1994).

Relationships with Departments

The Next Steps Initiative is intended to promote a more "hands-off" approach by Departments to their Agencies (Chapter 8). There have been positive achievements (Trosa, 1994), if only that the Treasury has required the delegation of personnel, pay and grading, and accounting functions. However, the Departments have not so far been required to promote an innovative approach to liaison with their Agencies.

The published information available to date on the relationships between Agencies and Departments is limited. As the examples given in earlier Chapters show, this is an aspect where there is some progress still to be made, particularly if duplication of effort is to be avoided. The most significant change is probably the new requirement to reduce the numbers of the civil servants in the centre (Chapter 8).

Departments do probably need to delegate more (Butler, 1991), but the difficulty may be more the controls as required by the Treasury (Smith, 1994). It is the balance between reasonable control and responding rapidly so as to allow the most effective use of Agencies' resources that needs to be right in each case. However, Departments retain responsibility, albeit not always well publicised, for

ensuring that money is spent in Agencies in accordance with the normal prudent principles controlling public expenditure (Chapters 8 and 9).

It would be unreasonable to expect all Departments' relationships with their Agencies to be identical, especially bearing in mind the wide range of executive responsibilities for which the latter are responsible. Perhaps the "Fraser figure" recommended by the Trosa Study may be the best solution (Chapter 8); a continuing overview of Agencies by the Office of Public Service and Science is likely to be needed also to maintain some consistency.

The informal co-ordination on which so many relationships within the central civil service rely (Chapter 2) has less importance now that framework documents have set out what should be dealt with in discussions and decisions between Departments, their Agencies and the Treasury (Chapters 5 and 8). Even where, as with the Planning Inspectorate, the prime purposes of the Agency must be carried out at arms length from the Department (Chapter 4), this has not altered the close interest taken in the Agency's activities by the Department of the Environment (Chapter 7).

The political sensitivity if delays occur in determining appeals or making errors are one reason that the past history of the Planning Inspectorate shows that the Department has felt the need to regularly review and overhaul the procedures in the Inspectorate. As we have seen, the skills required by some Agency staff are very different

from those needed in the centre of the civil service (Chapters 2, 4 and 9). It would be surprising if this did not on occasion led to less effective co-operation than might otherwise be the case (Chapter 8).

It is difficult to say whether the Next Steps Initiative has shown the difficulties more clearly which arise between Departments and those former responsibilities of theirs which are now in Agencies (House of Commons Home Affairs Committee, 1990-1), but it is always easier to do business with someone who "speaks the same language" as you do.

Professionals and Administrators in the Next Steps Initiative

The Planning Inspectorate is a useful example of the different approaches which can be taken to the recruitment, work and responsibilities of professionals (Purdue, 1991), and of administrative civil servants (Chapter 4). That a less rigid approach to both recruitment and training seems to be developing in other Agencies (Chapter 9) should imply more choice and a better "fit" to the roles to be filled, both of which accord with the intentions behind the Next Steps Initiative.

The introduction of market testing threatens the jobs of the civil servants affected, and reinforces the good sense of the practices of some Agencies in giving administrative staff training and qualifications which have a value outside the civil service (Chapter

9). This seems to be a significant, and rather necessary, change from previous practices, since otherwise professionals may have more options available to them (Chapter 2 and 7).

The quasi-judicial role of Inspectors makes them more than usually sensitive to the needs of their customers. All Agencies need to concentrate on their "core business" if they are to maximise their service to their customers. Raising the quality of the output and minimising overheads are all part of that (Chapter 9). The value of having a group of outsiders in the Panel overseeing the quality of output is beginning to be shown in the Inspectorate (Chapter 7), and it is significant that Ministerial Advisory Boards are being suggested for other Agencies too (Chapter 8), although the problems of trying to cover too wide a range of topics are seen in the Panel's latest report on the Inspectorate. Constraints on resources are thus as much a problem in relation to Agencies as they can be elsewhere in government (Chapter 2).

The exercise of statutory or regulatory functions can mean less political control and more autonomy for organisations and/or individuals, as we have seen in the Inspectorate (Chapter 4) and in other Agencies whose customers have resisted new arrangements (Chapter 9). It may also mean less likelihood of a task being contracted outside the civil service, if that is seen by outsiders as threatening the quality and impartiality of the service (Chapters 7 and 9). Therefore, such activities are more likely to remain within Departments, whether or not they are self financing, than others

which compete with the private sector or are in financial trouble (Chapter 9).

Has the Planning Inspectorate been a good advertisement for the Next Steps Initiative

The planning appeal system certainly has led the way in being in many ways more open and accountable (Purdue, 1991) than many parts of government. Introducing new procedures initially by informal means can be effective, as the experience of the Planning Inspectorate shows (Chapter 4). However, in some instance the use of legislation, unless it is essential, might lead to more bureaucracy and less progress by an Agency in the future.

We have seen in earlier Chapters the independent role of the Inspectors, the very variable workload of the organisation and, in more recent history, the limited changes which the Next Steps Initiative has brought. With each framework document having a generally common format, that for the Inspectorate is not unusual, apart from recording the independent role of the Inspectors.

However, each framework document is a major innovation compared to the basis on which the civil service as a whole operates, by setting out clearly and openly the purpose of the organisation, and how it should operate (Chapter 8). In that respect, the Next Steps Initiative has taken the same approach as has developed in the Inspectorate over the years (Chapter 4).

Since this openness occurred much earlier as far as the users of the planning appeal system were concerned, the situation has altered less for them in the subsequent introduction of the Citizens' Charter than in other Agencies. However, the Charter has probably required a more explicitly detailed demonstration of aspects of the Inspectorate's activities (Chapter 6).

The Next Steps Initiative is intended in most, although not all, Agencies (Greenaway, 1995) to separate the executive from the policy functions in central government (Chapters 1 and 8), and, as we have seen, the Planning Inspectorate had anticipated this before 1988, through the increasingly independence of its Inspectors from the policy role of the central Department of the Environment (Chapter 4).

However, it would be misleading to conclude that this characteristic of what was to become the new Agency meant that the whole organisation operated previously in the more flexible way now sought in the Next Steps Initiative (Chapter 8). The Department of the Environment had very specific control over financing, transferring money, and the political consequences of the Inspectorate's decisions (Chapters 5, 6 and 7). Certainly, it is difficult to control spending when external professionals seek quality (Harrison, 1989) and lack of it may have legal consequences (Chapters 4 and 7).

Compared to some of the other Agencies studied, there have been few changes in the Planning Inspectorate (Figure 10.1), even compared to other Agencies which were classified in the typology as having

regulatory and/or quasi-judicial functions (Chapter 9). The differences which continue now between the ways in which the professional and administrative staff are required to carry out their duties (Chapter 6) serve to emphasise that the traditionally hierarchical pattern (Chapter 2) remains in the civil service, whatever the functions of the organisation in question. Innovations have been confined to the means of determining the appeals themselves (Chapter 4).

For an organisation which developed towards its present pattern after the Franks Report in 1957, this illustrates the rigidity of the established methods of working in the civil service. As mentioned earlier, the limited role of information technology so far has constrained the ability of the organisation to identify detailed costs (Chapter 7). More sophisticated systems would also allow use of the appeal decisions in publications and on-line services similar to those issued by the Patent Office, for instance (Chapter 9).

Although the Planning Inspectorate has been subjected to a continuous series of reviews over the years (Chapter 4), sometimes prompted by rapidly rising workloads with the potential for political interest in backlogs and delays (Chapter 7), these investigations sought to streamline administrative procedures, rather than address the needs of the customers of the organisation.

With the exception of the Rayner Scrutinies, the outcome of these studies have not been published - a strong contrast with the public

availability of the appeal decisions. Three years have passed in the Next Steps Initiative regime without change in this respect until the proposals currently under consideration as part of the Prior Options Review (Chapter 7). This echoes the traditional approach to its internal affairs adopted by the civil service (Chapter 2).

The challenge now is to find ways of carrying the improvements forward in all the Agencies; of finding performance indicators which can measure and promote the most cost effective methods of carrying out the Agency's activities with or without market testing; and of involving the customers or their representatives in the process to maintain quality and utilise ideas from both outside and inside the Agencies.

Finally, the changes being made within the Agencies need to be fully reflected in the relationships with and the arrangements within the central Departments if the Agencies are to be able to fulfil their functions in the most effective way.

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